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Monday
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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

No party affiliation is given for Members serving the House in a formal capacity, the Lords spiritual, Members on leave of absence or Members who are otherwise disqualified from sitting in the House.

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HER MAJESTY'S GOVERNMENT

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The Rt. Hon. Lord Young of Cookham, CH

§ *Members of the Government listed under more than one department*

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THE
PARLIAMETARY DEBATES

(HANSARD)

IN THE FIRST SESSION OF THE FIFTY-SEVENTH PARLIAMENT OF THE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
COMMENCING ON THE THIRTEENTH DAY OF JUNE IN THE
SIXTY-SIXTH YEAR OF THE REIGN OF

HER MAJESTY QUEEN ELIZABETH II

FIFTH SERIES

VOLUME DCCLXXXVIII

SIXTH VOLUME OF SESSION 2017-19

House of Lords

Monday 8 January 2018

2.30 pm

Prayers—read by the Lord Bishop of Gloucester.

Retirements of Members

Announcement

2.36 pm

The Lord Speaker (Lord Fowler): My Lords, I should like to notify the House of the retirement, with effect from 22 December 2017, of the noble Lord, Lord MacLaurin of Knebworth, and of the retirement, with effect from 1 January this year, of the noble Lord, Lord Blyth of Rowington, pursuant to Section 1 of the House of Lords Reform Act 2014. On behalf of the House, I should like to thank both noble Lords for their much-valued service to the House.

Brexit: Reports to Parliament

Question

2.37 pm

Asked by Lord Spicer

To ask Her Majesty's Government when they next plan to report to Parliament on Brexit.

The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con): My Lords, we are committed to keeping Parliament informed on the UK's exit from the EU. The Government have provided regular Statements to update Parliament, which have been repeated in this House. There have also been 23 occasions when DExEU Ministers have given evidence to a wide range of committees in both Houses. We will continue to uphold this commitment and will update Parliament at the next appropriate moment.

Lord Spicer (Con): Is my noble friend aware that the British people are now much tougher in their attitude to the negotiations going on in Brussels? They are tired of seeing arrogant and rude officials speaking on behalf of the EU. They want full details of what is now proposed from Europe, as opposed to what they are getting at the moment.

Lord Callanan: They are certainly getting full details from us. The noble Lord makes a point that I am not sure I necessarily agree with. All our dealings with our interlocutors in the European Commission have been courteous and civil.

Lord Watts (Lab): My Lords, it has been widely reported that the Prime Minister is going to appoint someone as a "no deal" Brexit Minister. Will that person have the same responsibility to report back to both Houses as other Ministers?

Lord Callanan: My Lords, I am always suspicious of a question that starts off, "It has been widely reported". The noble Lord will know that ministerial appointments are a matter for the Prime Minister; I am sure he will be the first to know if she decides to make such an appointment.

Baroness Smith of Newnham (LD): My Lords, in light of the speculation about a "no deal" Minister, what calculation are the Government making about the likelihood of a no-deal scenario? Have they—in the form of any new Minister or the Secretary of State for DExEU—thought about writing a report on the impact of no deal; or is that just to be left to your Lordships' excellent EU Select Committee?

Lord Callanan: I totally agree with the noble Baroness that the EU Select Committee is an excellent grouping. We report to it regularly and I am sure we will be doing so in future. There has been a wide range of discussions with all sorts of parties about what might happen. We already have a Minister in the department—Steve Baker—who is planning for a no-deal scenario,

[LORD CALLANAN]

but we hope that will not be the case. We want a full, fruitful and special partnership with the EU and we are continuing negotiations to that effect.

Lord Hamilton of Epsom (Con): My Lords, following my noble friend’s intervention, does the Minister agree that if we have no deal on the table, we are much more likely to get a good deal?

Lord Callanan: It is important to bear in mind any possible outcome. We plan for all eventualities, but of course we are planning for a full and special partnership and we hope that will be the outcome.

Baroness Hayter of Kentish Town (Lab): My Lords, discussions are meant to be taking place within the UK as well as with the EU 27. Indeed, the Government promised back in March that there would be “intensive discussions” with the devolved Administrations, but at the moment we know that they are not minded to pass the consent Motions on the withdrawal Bill. Can the Minister undertake to update the House on those discussions before we get to the withdrawal Bill, when, obviously, we will want to know whether consent is likely to be given or withheld?

Lord Callanan: As the noble Baroness correctly observed, we have regular discussions with the devolved Administrations; I myself chaired a meeting with the devolved Ministers from Scotland and Wales and officials from the Northern Ireland Office in December, when we discussed ongoing EU business. Separate discussions take place with them on the withdrawal Bill and its implications. Those discussions are detailed, and I am sure that we will want to update the House as soon as we have a conclusion.

Lord Cormack (Con): My Lords, as we begin a new year, which we hope can be slightly more harmonious than the last, is it not important that, while we all recognise that the verdict of the referendum was that we should leave, it was decided by a very narrow majority? It is therefore important that those who were on the winning side demonstrate a degree of understanding and magnanimity, so that we get a proper deal and a real compromise that preserves the stature and economic prosperity of this country.

Lord Callanan: My noble friend makes a good point. We want a Brexit that will command the maximum possible level of support across this House and—I am not sure that the two things are related—across the country as well. We will want to involve as many people as possible, and of course we want to try to make that process as harmonious as possible, involving all different shades of political opinion.

Baroness Ludford (LD): My Lords, instead of planning for no deal, should not the Government be trying to get a coherent, unified position on the kind of deal they are aiming for? Once they have reached that coherent, unified position, will they report back to Parliament to allow us to debate that proposition before it is put to Brussels?

Lord Callanan: We will want to do both things. We want of course to plan for the—hopefully small—likelihood of there being no deal, but we also want a unified government position going forward. The Brexit Bill will shortly arrive in this House and I am sure we will have many hours of debate on the important issues contained in it. I am sure the noble Baroness will make lots of contributions to that.

Lord Hain (Lab): My Lords, given that the Government were forced to accept regulatory alignment in December to resolve the impasse on the Northern Ireland border and to keep it open, which everybody says they want, how does that differ from staying in the single market, and is that possible unless membership of the single market is retained?

Lord Callanan: It is perfectly possible and we have made statements to that effect. We are leaving the customs union and the single market. At the moment, of course, our regulations are identical to those of the European Union. In the future we will need to manage the process of divergence if we want to go our own separate way. Those issues will need to be discussed fully.

Lord Foulkes of Cumnock (Lab): My Lords, has the Minister noticed that Mr Nigel Farage is meeting Mr Barnier, purporting to represent the views of the British people? Will the Minister make it absolutely clear that even though some of us do not have much faith in the Conservative Ministers who are negotiating on our behalf, at least they were elected to the House of Commons, unlike Mr Farage?

Lord Callanan: I see that this week Mr Barnier is having meetings with a wide range of people, one of whom is Mr Farage. I do not think that Nigel would ever say that he represents the people—

Lord Foulkes of Cumnock: He did.

Lord Callanan: Okay—the noble Lord has an advantage over me; I have not seen the interviews. However, Mr Farage is the leader of a group in the European Parliament and I suspect that that is the basis on which Michel Barnier is meeting him. Mr Barnier has met Peers from this House and Opposition and Back-Bench MPs from the House of Commons, but he is very clear that he will negotiate with only one party.

MV “Empire Windrush” *Question*

2.45 pm

Asked by Baroness Benjamin

To ask Her Majesty’s Government what plans they have to commemorate the 70th anniversary of the arrival of the MV Empire Windrush at Tilbury Docks in June 1948 carrying Caribbean people who had been encouraged to emigrate to the United Kingdom by the Government.

Baroness Benjamin (LD): My Lords, I beg leave to ask the Question standing in my name on the Order Paper and declare an interest as a patron of the Windrush Foundation.

The Parliamentary Under-Secretary of State, Department for Communities and Local Government and Wales Office (Lord Bourne of Aberystwyth) (Con): My Lords, the United Kingdom has long been a country of inward and outward migration. Post-war immigration, including via MV "Empire Windrush", which was in many ways at the forefront of this migration, means that we are now a richly diverse society. I will be meeting key figures from community groups over the coming weeks to decide how best to celebrate this anniversary. I would also welcome input from the noble Baroness and from noble Lords throughout the House.

Baroness Benjamin: I thank the noble Lord for that Answer. "No coloureds welcome" was the sign that the Windrush pioneers faced in 1948 because the Government did not make it absolutely clear that the Caribbean people were invited to come to the UK to rescue the NHS, the transport system and factories after the war. Today, many descendants of those pioneers do not know that part of their history, as it is not generally taught in schools. As the Prime Minister wants everyone to feel included in our society, will the Government create a Windrush Day, recognising the outstanding contribution that the Windrush generation has made to Britain?

Lord Bourne of Aberystwyth: My Lords, the noble Baroness makes powerful points. Of course, there is a Windrush Day—on 22 June. This year, as she will know, we unveiled a monument in Windrush Square in Brixton as a tribute to the role played by troops from the Caribbean and Africa. Educationally, particularly in Black History Month, we also pay more than reference to what was done by that community. However, as I have said, it is important that we recognise the 70th anniversary, as we are intending to do. Heritage Lottery Fund money has already been forthcoming for the year from November 2017 to November 2018 to help mark the Windrush landing, but, as I said, I am very willing to talk to the noble Baroness and others. I think that we have a forthcoming debate on how to commemorate this anniversary.

Lord Tomlinson (Lab): Will the Minister pay tribute to the early views of Enoch Powell in encouraging immigration to this country, even if, later, he was somewhat aberrant in his views when he no longer had ministerial responsibilities?

Lord Bourne of Aberystwyth: My Lords, the noble Lord will understand that I and indeed the Government are keen to look forward. We recognise that there is a world of difference between 1948 and the 1960s and even the 1970s, in that we are now a much more cohesive and diverse society. We must look forward and, in that spirit, it is important that we recognise the changes and the progress that have been made, celebrating Windrush Day, as the noble Baroness, Lady Benjamin, has been urging us to do.

Baroness Berridge (Con): My Lords, I am grateful to hear from the Minister that there will be meetings and consultations, but celebrations cost money. Can he guarantee that, in addition to the Heritage Lottery Fund sum, funds will come from central government to ensure that the celebrations are of a fitting nature?

Lord Bourne of Aberystwyth: My Lords, I thank my noble friend. She is right: these things always come with a bill. She will understand that I do not have the cheque book with me and at the moment I do not intend to say how much will be spent. It is important that we do this in a meaningful way, although it is not just about the money; it is a case of ensuring that we have community involvement in this regard up and down the country.

Baroness Burt of Solihull (LD): My Lords, my noble friend Lady Benjamin talked about some of the initial attitudes towards the people who came on the "Windrush", as well as indeed towards their descendants. I wonder whether the Minister thinks that, despite changes to the law, attitudes such as those have fundamentally changed in this country. What are the Government doing to create an inclusive country, where the contributions of all are recognised and celebrated?

Lord Bourne of Aberystwyth: My Lords, I think that there have been fundamental changes in this country and the views of most people. Are we yet there with everybody? No, of course not; there are still challenges out there. As the noble Baroness will know, the Prime Minister initiated the race disparity audit, for example, which most people in the House and the country would welcome. We are now entering the next phase, in which departments are being asked to respond to the data and come up with policies and actions as to how we are going to tackle that. So we are not there yet, but most fair-minded people would say that there has been significant progress and continues to be so. However, we must press forward, and there are still challenges ahead.

Brexit: Environmental Enforcement

Agency Question

2.50 pm

Asked by *Baroness Jones of Moulsecoomb*

To ask Her Majesty's Government whether they intend to establish an independent environmental enforcement agency before the United Kingdom leaves the European Union.

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Gardiner of Kimble) (Con): My Lords, on 12 November last year, the Secretary of State set out plans to consult on a new independent and statutory body to hold government, and potentially public authorities, to account on environmental commitments. We will carry out a consultation early this year on its remit and functions. I do not want to pre-empt the result of the consultation, and so at this stage cannot be definitive about timescales for establishing the new body.

Baroness Jones of Moulsecoomb (GP): I thank the Minister for his reply, but I am curious about the consultation. Will it be made public so that we have a chance to examine it in this House before the withdrawal Bill comes through, so that we are well informed about exactly what we are voting on?

Lord Gardiner of Kimble: My Lords, I assure your Lordships that it will be a full and proper consultation. We want to have detailed consideration with stakeholders and your Lordships so that we get the right decision because we recognise that something needs to be done to fill what we acknowledge is a governance gap. I am not sure about the precise timings, but the whole purpose of an early consultation is so that we can move this forward.

Lord Whitty (Lab): My Lords, this will be a powerful new organisation, which I understand will have the ability to fine or otherwise sanction other public bodies. In that case, is it the Government's intention to produce primary legislation for the introduction of this body or are they still assuming that it will be dealt with in delegated legislation? My other question is: will this body have some jurisdiction in the remaining seven years of the present system of farm support in fulfilling the role of making sure that environmental standards are met by agricultural practitioners?

Lord Gardiner of Kimble: My Lords, the whole purpose of the detailed consideration and our consultation is to decide, and to have reflection from stakeholders, on the best way forward. That is why, at this stage, we have not made a firm decision as to the route because we think we should not pre-empt what is a serious consultation. As to the matter of agriculture, we have been very clear that we wish there to be a transitional phase. However, the arrangements in the withdrawal Bill are that existing EU law will be brought on to the UK statute book. What we are looking at is how we deal with the situation after we have left the European Union and, potentially, after an implementation period.

Baroness McIntosh of Pickering (Con): My Lords, will my noble friend explain to the House what the situation will be for EU directives that are currently being revised but which will be approved by the European Union before the point of departure? Will he also explain what the relationship will be between this statutory independent body and the existing Environment Agency?

Lord Gardiner of Kimble: My Lords, we will continue to implement EU legislation that is on the statute book. The whole purpose is to have certainty on the statute book. What we want with this new environmental body is to ensure that there is not a governance gap and that in our wish to enhance the environment, government and, potentially, other public bodies can be held to account. We think that that is very important indeed.

Baroness Hayter of Kentish Town (Lab): My Lords, will the Minister tell us what discussions are taking place with the devolved Administrations, such that the

new body can be co-designed and owned by all four Governments, given the importance of these areas to devolved responsibilities?

Lord Gardiner of Kimble: My Lords, we are already working with devolved Administrations on which powers coming back from the EU should be devolved further. We want to explore whether Scotland, Wales and Northern Ireland wish to take a different or a similar approach on this matter. If they wish to join what will be an English body, we would be pleased. On the other hand, they may decide to take a somewhat different approach. Our thrust in this is to collaborate so that if they wish to be part of this body, we would welcome that.

Baroness Bakewell of Hardington Mandeville (LD): My Lords, the Government have said that the new environmental body must have teeth. Will the Minister say how the Government will ensure that this happens and what teeth they envisage it will need?

Lord Gardiner of Kimble: My Lords, again, I do not want to pre-empt the consultation. We want a wide consultation and stakeholders, your Lordships and others to participate in it. We need to fill the governance gap, particularly as we wish to enhance the environment. I hope that before too long we will publish the 25-year environment plan. We want to enhance the environment, and that is a step forward. I assure the noble Baroness that we wish to have a rigorous environmental body.

Baroness Young of Old Scone (Lab): My Lords, the Minister pointed out that this measure is aimed at closing the governance gap. One of the major benefits of the EU enforcement mechanism was that it could enforce fines against the Government in infraction proceedings. I have not been able to find another UK independent regulator which has that power at the moment. Can the Minister tell us whether the new independent regulator will be able to enforce environment standards not only on public bodies but on the Government?

Lord Gardiner of Kimble: My Lords, I will be straightforward. We want to proceed with this because we think government and public bodies should be held to account. We have existing frameworks, regulators, judicial review processes and Parliament ensuring that the Executive are accountable to them and, ultimately, to the electorate. This is an important matter, and we are going to consult widely. We have not ruled anything in or out. We want a full consultation so that we can understand what stakeholders and other interested groups think is the best way forward in holding government and public bodies to account.

Lord Campbell-Savours (Lab): My Lords, Mr Gove, in his general approach to amendments in the law, has suggested that there will be a tightening up of slaughterhouse regulations through the use of CCTV cameras. Will the Minister comment on what is being proposed and when we might see legislation?

Lord Gardiner of Kimble: My Lords, it was in the Conservative manifesto that we wish to have CCTV in all slaughterhouses for all parts of their operations involving live animals. We will bring forward proposals for that because it is an important part of enhancing animal welfare. It will also assure consumers that animals are being treated in a humane manner at the point of dispatch. I look forward to introducing those legislative proposals.

Lord Harris of Haringey (Lab): My Lords, can the Minister tell the House to whom this new agency will be accountable? Will it be accountable to government Ministers, whom it might criticise, or will it be accountable to Parliament?

Lord Gardiner of Kimble: My Lords, the whole basis of having a consultation is not to prejudge anything. I assure your Lordships that this is serious work on a serious subject in which, yes, government and public bodies need to be held to account. There could be a range of ways in which that can be secured. A number of your Lordships have mentioned fines, but it could be through the provision of advice or annual reports to Parliament. I do not want to rule anything in or out because we are having a genuine consultation.

Baroness Jones of Moulsecoomb: My Lords, may I recommend to the Government that they devise principles on which to base this new body? You cannot have a new body that is entirely designed by the public. You need to have principles—for example, that the polluter pays—through which the Government can be held to account. You cannot devise a new, strong enforcement body without any principles underlying it.

Lord Gardiner of Kimble: My Lords, I am most grateful to the noble Baroness because part of my script is that we will be setting out plans to consult on a new policy statement precisely on the environmental principles that will apply post our exit. It is absolutely right that one principle in the current system of environmental legislation is that the polluter pays. In the proposed consultation we will explore the scope and content of a new statement on environmental principles.

Brexit: Child Refugees

Question

2.59 pm

Asked by Lord Roberts of Llandudno

To ask Her Majesty's Government what new arrangements they propose to introduce to support child refugees following the United Kingdom's withdrawal from the European Union.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, the UK has a proud history of providing international protection for those who need it, including child refugees. The UK resettles more refugees than any other EU member state. Our commitment to supporting refugees will not change when we leave the EU. In addition to our comprehensive

national asylum framework, we expect co-operation with our European partners to continue. The exact nature of our co-operation will be a matter for negotiation.

Lord Roberts of Llandudno (LD): I thank the Minister for those comments. She will remember the day when this Government opposed the admission of 3,000 refugee children into the United Kingdom and the whole situation then. I have received letters from 254 refugee organisations saying how sad they were about that. Are the Government intent on pursuing—if it happens—our distancing from the European Union, which will of course mean the end of the Dublin III agreement? What do they have in mind to replace that agreement, which has given hope to so many vulnerable people?

Baroness Williams of Trafford: My Lords, as I outlined in my first Answer, our commitment to supporting refugees will not change when we leave the EU. The noble Lord has referred to 3,000 children. I do not know if he said he was happy or sad about that, but of course we are committed to resettling 3,000 vulnerable children under the vulnerable children's resettlement scheme, and, in addition, some 20,000 UNHCR-recognised refugees by 2020, 9,000 of whom have already arrived.

Lord Dubs (Lab): My Lords, will the Minister confirm that several hundred unaccompanied child refugees are in the Calais area at the moment, along with perhaps a couple of thousand on the islands in Greece, many of them sleeping rough without any accommodation? Will she also confirm that we still have an obligation under the Dublin treaty and under Section 67 of the Immigration Act to take action? Surely what is holding things up is a lack of political will on the part of the Government.

Baroness Williams of Trafford: I cannot confirm how many hundreds of unaccompanied children are in Calais, but what I can absolutely confirm is that this country, upon request, will take children referred to us, and we continue to work to do that. It is not lack of will on the part of the Government. As I have said, since 2010 around 42,000 children have been given some sort of leave to come to this country.

Lord Laming (CB): My Lords, can the Minister tell the House what steps the Government have taken to prevent some of these very vulnerable children going missing once they are in this country?

Baroness Williams of Trafford: I think that the noble Lord was pleased when we set out our safeguarding strategy for such children in this country because we have an absolute obligation not just to get them across here, but of course then to look after them when they are here. I am very pleased that the safeguarding strategy is up and running and is being implemented.

The Lord Bishop of Gloucester: Can the Minister confirm that any new provision will be at least as generous as under the Dublin III regulations and that there will be even wider scope for child refugees to join

[THE LORD BISHOP OF GLOUCESTER]
not only parents in the UK but also other relatives such as uncles, aunts, grandparents and adult siblings? Will they also be given the support they need to live safely and in decent conditions?

Baroness Williams of Trafford: I said in my first Answer that we will not change our commitment to supporting refugees when we leave the EU, so I fully expect that the UK will remain the generous country it has been for decades. On children joining wider family here, there are already provisions within the Immigration Rules to allow for that, and we expect those to continue.

Baroness Garden of Frognal (LD): My Lords—

Baroness Massey of Darwen (Lab): My Lords—

The Lord Privy Seal (Baroness Evans of Bowes Park) (Con): Order. We will hear a short question from the Liberal Democrats and then from the Labour Benches.

Baroness Garden of Frognal: Will the Government introduce a system of reconsideration before formally rejecting applications? Currently, rejections can be made on the basis of something as simple as a spelling mistake, which would involve the child starting all over again from scratch. A system of reconsideration would involve a great shortening of delays, as well as avoiding stress and distress for vulnerable children.

Baroness Williams of Trafford: I understand the point the noble Baroness makes, and I will certainly look into it. We have tried to make the process less bureaucratic. I agree that something as simple as a spelling mistake should not debar someone from coming to this country.

Baroness Massey of Darwen: My Lords, to follow up the question from my noble friend Lord Dubs, would the Minister agree that children in refugee camps and hot spots are suffering the most degrading conditions? They are living without separate toilets. They are living in dirt, without education or legal advice. Would she also agree that this problem is partly to do with lack of co-ordination between the nations of Europe to help these children to a better life? What are the British Government doing to help that co-ordination?

Baroness Williams of Trafford: I certainly agree that the situation of children in camps is most undesirable. Children should be placed in a safe location where their welfare is met. We work with the French Government and other Governments to ensure that we meet any obligations that we have. During the Calais clearance we worked very closely with the authorities there to ensure children's requests were processed.

Baroness Afshar (CB): My Lords, are the Government aware that it is not only the brightest and best who manage to survive the experience of migration? Also, for many of us the moral economy of kin demands that we not only look after our immediate family, but have a moral duty to look after our extended family.

Therefore, many of these children rely on aunts, cousins and people who are not their immediate family. Perhaps the Government should consider and celebrate differences and allow them to join their extended family.

Baroness Williams of Trafford: My Lords, there are provisions within the Immigration Rules for people to join their extended family. I totally agree with the noble Baroness that we have an obligation not just to our immediate children, but to other countries' as well. This country has a very long and proud history of that.

Industrial Strategy

Motion to Take Note

3.07 pm

Moved by Lord Henley

That this House takes note of Her Majesty's Government's Industrial Strategy and of the case for boosting earning power and productivity across the United Kingdom with investment in the skills, businesses and infrastructure of the future.

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con): My Lords, we are at a critical moment for the United Kingdom. The world is changing and we have to ensure that we are building the type of economy that gives us a global competitive edge. New technology is creating new industries, changing existing ones and transforming the way we live our lives. We need to ensure that we are well prepared to prosper in this future. The decision to leave the European Union makes that even more important.

The United Kingdom has significant economic strengths on which we will build, but we also need to make the most of our untapped potential right across the country. In the *Industrial Strategy* White Paper, we have set out a long-term plan to help boost the productivity and earning power of people throughout the UK by focusing on five foundations of productivity.

Our first foundation is "Ideas". Innovation and ideas are at the heart of increasing productivity. Our ability to come up with new ideas and to develop and deploy them is one of the United Kingdom's historic strengths. We are building on these strengths and taking action to ensure that we are generating, and making the most of, new ideas, new ways of doing things, new goods and services, and new technologies. We want to be the world's most innovative economy and we have announced a major step towards achieving this: increasing investment in research and development to 2.4% of GDP—an extra £80 billion over 10 years.

Our second foundation is "People": ensuring access to good jobs and greater earning power for all, with a strong focus on technical skills, maths and engineering, and retraining throughout careers. An effectively skilled population is pivotal to a modern and productive economy. We will deliver a dynamic country that has high levels of skills in science, technology, engineering, mathematics, digital and social sciences. Our strategy also takes action to address regional disparities in education and skill levels so that we build on local strengths and deliver opportunities for people wherever

they live. Creating a balanced economy that boosts the earning power of everyone means reaching out to underrepresented groups in the labour market: older workers, women, disabled people and black and minority ethnic workers. It is vital not just for them and for our communities but for the productivity of the United Kingdom economy as a whole that everyone has the opportunity to realise their full potential.

Our third foundation is “Infrastructure”. We have committed to a major upgrade to our digital and physical infrastructure, including increasing the national productivity investment fund to £31 billion. High-quality infrastructure is vital for economic growth and prosperity across all regions of the United Kingdom. We are ensuring that our infrastructure investments actively support our long-term productivity as well as providing greater certainty and clear strategic direction to investors and businesses. We will ensure that our country is one of the best in the world in terms of digital connectivity, with high-speed fixed and mobile access available in all areas. Trials in road and rail digital connectivity will prepare us for the future and the potential for the adoption and deployment of autonomous vehicles.

Our fourth foundation is supporting our “Business Environment”, by driving more than £20 billion of investment in innovative and high-potential businesses. The United Kingdom has an excellent reputation in the business world. Our industrial strategy aims to build on this and make it the very best place to start and grow a business and a real draw for the most innovative and successful companies. We have world-class companies and we will do more to support them, spreading their best practice and creating a more balanced and thriving economy.

Our fifth foundation is “Places”, in which our ideas, people, infrastructure and business environment happen. The United Kingdom has a rich heritage, with world-leading businesses located in every region. Our cities, towns and rural areas are essential to shaping our economic future. We will ensure that the entire country is in a position to fulfil its potential. We have created a £1.7 billion transforming cities fund to improve transport between city centres and suburbs. We are investing in innovation, including through our £115 million a year strength in places fund. We are investing in skills, including through our investment in teachers’ professional development in parts of the country where education attainment is lower. Local areas know their own strengths and weaknesses best. That is why we have also committed to developing local industrial strategies, with Greater Manchester and the West Midlands already developing early versions. We need to create a nation where every region is thriving.

Transforming these five foundations of productivity is vital, but we know that, on its own, it is not sufficient, so we have also identified four grand challenges, based on the advice of our leading scientists and technologists, to put the United Kingdom at the forefront of the industries of the future. These areas represent long-term, complex trends which will shape the global economy, creating both opportunities and challenges for the United Kingdom. If we act now we can lead from the front, but if we wait and see other countries will seize the initiative.

For each of these challenges, our industrial strategy sets out how we can seize the opportunity. These grand challenges will be supported by investment from the industrial strategy challenge fund, matched by commercial investment. The four grand challenges are: first, artificial intelligence and the data-driven economy; secondly, clean growth; thirdly, the future of mobility; and, fourthly, meeting the needs of an ageing society. I shall speak on each of these challenges in more detail, and set out, based on our analysis of current evidence and future trends, our priority areas for each grand challenge.

Artificial intelligence and machine learning are general purpose technologies. They can be seen as new industries in their own right. By one estimate, artificial intelligence could add £232 billion to the United Kingdom economy by 2030. To ensure our success in this area, we will make the United Kingdom a global centre for artificial intelligence and data-driven innovation. We will support sectors to boost their productivity through AI and data analytic technologies. We will lead the world in the safe and ethical use of data and AI and help people develop the skills needed for those jobs of the future.

The move to cleaner economic growth is another of the greatest industrial opportunities of our time. The Paris Agreement of 2015 commits countries to revolutionising power, transport, heating and cooling, industrial processes and agriculture. The effect of these changes will be felt across the economy and will involve the reallocation of trillions of pounds of public and private finance towards the pursuit of cleaner growth. We will take advantage of these trends by developing smart systems for cheap and clean energy across power, heating and transport; by transforming construction to dramatically improve efficiency; by making our energy-intensive industries competitive in the clean economy; by putting the United Kingdom at the forefront of high-efficiency agriculture; by making the United Kingdom the global standard setter for green finance; and, finally, by developing United Kingdom leadership in low-carbon transport across road, rail, aviation and maritime.

Mobility and transport are on the cusp of a profound change in how people, goods and services are moved around our towns, cities and countryside. This is driven by extraordinary innovation in engineering, technology and business models. Our mobility grand challenge will establish a flexible regulatory framework to encourage new modes of transport and business models; seize the opportunities and address the challenges of moving from hydrocarbon to zero-emission vehicles; prepare for a future of new mobility services, increased autonomy, journey sharing and a blurring of the distinctions between private and public transport; and explore ways to use data to accelerate development of new mobility services and enable the more effective operation of our transport system.

Finally, our grand challenge on ageing recognises our obligation to help older citizens lead independent, fulfilled lives. Our population is ageing, creating new demands for technologies, products and services, including new care technologies, new housing models and savings products for retirement. It is important that we get this right. To do so, we will encourage new products and services for the growing global population of older people, meeting important social needs and realising

[LORD HENLEY]

the business opportunity for the United Kingdom; we will support care providers to adapt their business models to changing demands, encouraging new models of care to develop and flourish; we will support sectors to adapt to a changing and ageing workforce; and, finally, we will explore the application of our health data to improve health outcomes and UK leadership in life sciences.

In addition to the work we are doing on the foundations of our productivity and our grand challenges, we are finding new ways of partnering with businesses. In the Green Paper we asked businesses if they would like to agree sector deals—strategic, long-term partnerships between industry and the Government, backed by sizeable private sector co-investment. The answer was an emphatic yes. We have already published deals in construction and life sciences, and in the coming weeks we will publish deals with the artificial intelligence and automotive industries. We set out our criteria for future deals in the White Paper and look forward to continuing our conversations with different sectors about their proposals.

The scale of ambition in our industrial strategy is clear and we can deliver on this only if we work in partnership. We will use the framework set out in the strategy to work with industry, academia and civil society in the years ahead to build on the United Kingdom's strengths, make more of our untapped potential, and create a more productive economy that works for everyone across the UK. We believe that by acting now, the United Kingdom can lead from the front. Our strategy is all about seizing opportunities to put the United Kingdom at the forefront of the industries of the future. Our vision is that the United Kingdom will have good jobs and greater earning power for all, make a major upgrade to our infrastructure, be the best place in which to start and grow a business, and have prosperous communities across the country.

As I said, in the next month we hope to be concluding sector deals with the automotive, artificial intelligence and construction sectors. Alongside this, we are in ongoing negotiations to create nuclear, industrial digitalisation and creative industries sector deals. We will also be making progress in other areas, including setting up the industrial strategy council; developing our four grand challenges and appointing business champions for each of those challenges; and making further allocations of the industrial strategy challenge fund. Other departments—I emphasise that this is a government-wide White Paper—will also be setting out strategies designed to support the industrial strategy, such as Defra's upcoming 25-year environment plan.

This is a strategy for the long term, involving all of government, which will evolve and adapt to respond to the challenges of the future. But, as set out, it is also taking action now to ensure that we make the most of our strengths, opportunities and untapped potential. It has to move.

3.23 pm

Lord Mandelson (Lab): My Lords, I am very glad to follow the Minister, who set out the vision of the White Paper rather well. I hope noble Lords will forgive me if I do not dwell at any length on Brexit.

That will at least allow me to agree with the Prime Minister on one thing—that the UK is facing much deeper economic challenges than simply its poor cyclical economic growth or squeezed living standards, bad as these are.

In the Prime Minister's words—and, incidentally, Jeremy Corbyn's—we need,

“an economy that works for everyone, not just the privileged few”.

We do not have that at the moment in our country.

For me, progressive politics is about demonstrating that we can advance as a country by mobilising the strengths and disciplines of the market, and by using the unique capacity of the Government in tandem. Those things go together, stimulating enterprise with a sense of responsibility and having rewards with fairness. Industrial strategy, in my view, has an important part to play in achieving these things by helping ensure that all parts of the country are able to benefit from economic growth. We need industrial policy working hand in hand with actions to achieve more fairness in society including, importantly, across the generations so that, for example, owning your own home again becomes a real prospect for most people in their 30s. At the top, we need a lot fewer pay awards being given that are out of line with the rest of society and with business performance. A tweak of the policy dial will simply not be enough to address these challenges. We really have to adapt our economy, our whole economic model, so as to restore faith in it. That is why industrial strategy is important.

The White Paper we are debating today is a good start and I come here to praise Greg Clark, not to bury him. I very much hope that the Prime Minister feels similarly. Greg Clark and his officials have actually produced a very thorough piece of work. He is right to focus on the Government's role in promoting investment, in business fundamentals, in ideas, place and people and in infrastructure, as the Minister said. But we also have to get other fundamentals right, such as the free flow of talent into and out of our country and having high-quality vocational as well as higher education—including, I might say, pioneering design education. It is the design of how we use and apply technology to how we live that is central to what we will produce and market in the future, and to our whole competitive advantage as a country.

Your Lordships can see the global industrial trends which Britain has to make a national mission to participate in. As the Minister said, they include artificial intelligence and data analytics, clean growth, medical science in the context of the ageing society and the transformation of mobility. Britain is present in these trends but it is not present enough. In the FTSE 100, oil, mining, finance and retail companies dominate; few advanced technology companies and businesses are emerging to scale. Yet we have huge opportunities all around us. The National Health Service, for example, will eventually be transformed by the use of artificial intelligence and data. We should be market leaders in this, investing now in the businesses that will drive it and then exporting their knowledge, expertise and success in the rest of the world.

The point is that it is the Government's job to use their unique power in the economy—as they do in relation to the NHS, for example—to help create such new markets, making it worth while to commercialise and to grow our know-how here in Britain rather than seeing it transfer abroad when it reaches a certain point of development. That is what our industrial future depends on in this country. It is not about substituting business decisions for those made by Ministers, but about Ministers helping to make a reality of those business decisions, including occasionally by facilitating long-term commercial finance. Government has to think of itself, in other words, as literally a partner with business, networked into the country's science and technology base, spotting potential for market development and growth, leveraging the Government's role as purchaser, as customer, as regulator, as market maker.

In this context, the Government's commitment to raise spending on research and innovation is highly desirable in order to raise productivity and move on from an old economy to an advanced-technology one. But spending in itself is not a panacea. Innovation does not in itself create business growth, regardless of what else is going on in the economy. You need businesses to be sufficiently confident of new market growth and opportunities in Britain, and of their ability to cross borders easily in supply and value chains and to trade freely in the large markets nearby.

It is no accident that the biggest sustained post-war growth in Britain's productivity came from our joining the then European Community in the 1970s, followed of course by the single market in the 1990s and thereafter. The liberalisation of our trade with Europe brought huge market opportunities and a tremendous spur to competition after decades of relative protection and sluggish reliance on Commonwealth markets. As a result, flows of cross-border investment and international R&D spending in Britain were greatly stimulated, bringing with them innovation and higher productivity, buoyed by confidence among businesses about their ability to supply both our own and our largest, closest market. That is why, if we leave the European Union, our highest priority should be to remain in the European Economic Area.

This year is the 20th anniversary of the publication of my first industrial strategy White Paper at the DTI, *Building the Knowledge Driven Economy*—I have form. It will be 24 years since the publication of the first competitiveness White Paper, published by the grandfather of modern industrial strategy—by whom of course I mean not Tony Benn but the noble Lord, Lord Heseltine. More recently, I pursued five drivers of productivity in my second White Paper, *New Industry, New Jobs*, and this was followed by the industrial sectors approach of Vince Cable.

One central thing that has not been properly resolved in any of this litany of strategies is the tension between a national, centrally planned approach and doing the job instead through devolution of power and resources to regions and communities, notably but not only in respect of skills and mobility.

In my view, the northern powerhouse initiative was an attempt to combine industrial strategy with devolution, but it was an incomplete one and it now seems to have

been discarded in a fit of vindictiveness towards the previous Chancellor, George Osborne. I think that is a great mistake. We cannot rely on Whitehall knowing best or policy being revised on the basis of every Whitehall-based ministerial fad, fashion or passing reshuffle, as I hope the Prime Minister is bearing in mind as we debate.

This leads me to three concluding remarks based on my experience of industrial strategy. First, it is vital that Ministers collectively—not just in the business department—take ownership of the strategy. When Michael Gove talks about the future of food and farming, that industrial future is the responsibility of his department, not of BEIS. The research budgets, procurement plans and regulatory frameworks of all departments need to be used to build the markets and competitive advantages of businesses based in Britain. The Prime Minister needs to take some responsibility in driving this, otherwise it will not happen.

Secondly, publishing a White Paper is not a job done. It requires painstaking, practical and detailed follow-up; that is when the real slog begins. Let us face it, most Ministers are not natural business people or entrepreneurs, so they must use actual hard evidence, not wishful thinking, in implementation. The chief economist that I had in the business department, the inimitable Vicky Pryce, would ask at some point in almost every policy discussion that I had: "What is the evidence base for this proposal, Secretary of State?". I must say that this got rather irritating, but you have to be careful that through either ignorance or naivety you do not end up with a lot of industrial losers finding the Government rather than the Government finding winners.

My third remark is about continuity of policy. To be effective, industrial policy has to be sustained through political cycles, not just through one Government. It is one thing having a long time horizon—this White Paper's horizon is 2030—but quite another to develop a genuinely long-term approach, one that will take us well beyond 2030, which is not actually very far away. Look at Germany and France. There is continuity in their systems when it comes to business and investment policies, which permits long-term planning and the development of competitive advantage over many decades.

Theresa May and Jeremy Corbyn may sometimes use different language but there are clearly points of agreement between the contents of this White Paper and Labour's plans drawn up by Rebecca Long Bailey, Greg Clark's shadow. I have read both and am struck by the overlap between them, which is rather encouraging. There needs to be mutual understanding and convergence of policy wherever we can achieve it.

I realise that this flies in the face of adversarial, zero-sum-game modern politics, but I hope that the Government will work hard, as I believe has already been started, to take the Opposition with them on the White Paper, and I hope that my party fully reciprocates. In these very troubled and divisive times, frankly, we need to take any consensus where we can find it, however difficult Brexit makes that.

3.40 pm

Baroness Randerson (LD): My Lords, when I heard that we were to have an industrial strategy, I very much welcomed the news because I felt that it built on foundations laid during the coalition, not least by Vince Cable in his work at the Department for Business, Innovation and Skills, and because industrial strategies—for example, the one produced by the noble Lord, Lord Heseltine—have a good name among business. It was a hint of long-termism in the Government's view at a time when inevitably, because of the Brexit challenges, the Government were taken up with fighting day-to-day issues.

However, when I came to read the *Industrial Strategy*, although it was very thorough in the number of words used to cover it, I felt that it lacked that sense of purpose and unique commitment that Governments must have if a strategy is to be workable in practice—if it is to turn out to be more than, yes, another document.

The Minister referred in his introduction to the Government's commitment to new transport technology and to transport and future technology in general, but I am firmly of the view that if we are to heal our broken economy, we need, first, to tackle the problems of today. I make no apology for concentrating in my speech on transport and transport technology, because if we do not get transport infrastructure right, the rest will not follow.

When I travel abroad, I get an immediate impression when I arrive back on these shores of the intense traffic congestion, outdated infrastructure and sheer unreliability of travelling long distances in the UK, whether by road or rail. My sense chimes with that of other people who have talked to me about this issue—the contrast between Britain and neighbouring countries in the stage we are at in solving these problems. All this fundamentally undermines our economy. To put it right, there are no quick fixes: it requires long-term investment and farsighted political commitment.

We could argue that we would not be in this Brexit mess if successive Governments had not paid too little attention to areas outside the south-east of England. That lack of attention has gone on for many decades. When you analyse the anti-EU vote of the year before last, you see that the heaviest vote to leave the EU was in those areas where the economy had declined furthest and where people were poorest. That is fundamentally linked with the issue of transport infrastructure. Putting this right depends to a large extent on improving those transport links. Tackling economic imbalances and driving growth more evenly across the whole country will not be simple, and I see nothing in the Government's industrial strategy to convince me that they accept the radical challenge that they face or the amount of money that it will cost to fix it. It is important to remember that our transport infrastructure has relied over many decades on EU regeneration funding. It is important that the Government urgently reassure local authorities and businesses that there will be a firm and reliable replacement for that funding, and how it will be provided.

I would argue that there is a need for a number of things. First, we need close working relationships with local authorities, which have too often been seen by

the Government almost as competitors, with a lack of trust. They obviously hold a key role in terms of planning and infrastructure development. The issue of devolution, which I welcomed strongly, has been linked by the Government to the existence of mayoral authorities. I have never understood why elected mayors are regarded as the key to all political problems and why other authorities cannot be treated on a par. There is a key role on these issues for universities and, of course, business. The Government have to develop real and trusted partnerships with universities as a source of inspiration and research that provides skills for the future and a real partnership with business.

Then, of course, there is the unsolved problem of how to deal with the free movement of people in the future, on which our economy has relied for hundreds of years. The Local Government Association calculated that by 2024 we will have 4 million too few highly skilled workers in comparison with our needs. That is equivalent to affecting 4% of economic growth. That skills gap must be dealt with in one way or another. I welcome the Government's commitment to increasing the national productivity investment fund to £31 billion, but I fear that even that will not be adequate. I welcome the Government's commitment to new technologies in transport as I am an enthusiast for new technologies. I welcome their comments on developing electric vehicles and their take-up, but I looked in vain for the clarity that we need on the long-term issues in relation to this. For example, how will the recharging of electric vehicles be provided in a way that works within the market? It is one thing to say that all local authorities will set up charging points but another to ensure that they are maintained properly. The devil is in the detail.

I fear that if too much funding is going into local infrastructure projects that are reliant on short-term competitive funding, we will not get certainty for the future of transport investment. In England, 97% of roads are classified as local roads, so the Government deal with a very small percentage of the total. Local roads suffer from terrible congestion as much as the long-distance links.

There is a massive maintenance backlog on our roads in general, but it amounts to £12 billion worth on our local roads. We need a much more coherent, co-ordinated and cohesive approach to maintaining and developing our roads. There is, of course, an urgent need for investment in public transport infrastructure to reduce air pollution. The Liberal Democrats always prefer rail and road public transport to be developed rather than private transport because of air pollution. However, the Government have not yet produced any adequate detailed plans on how to tackle the air pollution problems.

As a Liberal Democrat, I looked for something very ambitious in the Secretary of State's railways strategy; instead, I saw a miserable lack of ambition. The decision to abandon the electrification of the Great Western line beyond Cardiff and the trans-Pennine line sends the wrong message if we are to solve the problem of overcrowded railways. Last week's 3.4% increase in rail fares did not send out the message that the Government are committed to improving the country's transport and linking up our cities. We need HS2 but it

should not soak up all the investment; it should be just one part of the jigsaw. We need a much more ambitious approach to bus services. There is a dwindling number of bus services, especially in rural areas, which leads to increased congestion. There is the danger that the Government's announcement on clean air zones might drive buses off the road as local authorities choose to impose much higher standards on buses than on cars in this respect. However, buses are the solution to the transport problem.

Finally, the challenge the Government face is that the industrial strategy, if it is to work, needs to face up to the fact that after Brexit we will need more than fine ambitions. We need to look at the reality—namely, we cannot lead the world in new technologies by tinkering at the edges and spraying around a handful of pilot projects, sprinkled with a little seed corn money. We cannot be a world leader in this field simply by constantly claiming that we are already, as we hear so often from this Government. We cannot be a world leader by cutting ourselves off from our main market within the EU and discouraging the skills and the immigrants who bring them, on whom we have relied for so long. I do not see in this industrial strategy the answers to those serious challenges that our country faces at this time.

3.53 pm

Lord Kakkar (CB): My Lords, I thank the Minister for the thoughtful way in which he introduced the debate and Her Majesty's Government's industrial strategy. I remind noble Lords of my interests as professor of surgery at University College London, chair of University College London Partners, business ambassador for healthcare and life sciences, and a member of your Lordships' Science and Technology Committee, which is undertaking an inquiry on the life sciences industrial strategy.

It is quite right that there is a very acute focus on the question of life sciences, because they have played, and will continue to play in future, a vital role for our country and its economy. After financial services, the life sciences sector is one of the most important, and it is built on a substantial and impressive ecosystem that has been developed over many decades. We have four of the top 10 biomedical universities in the world; the published output from the research activity in those universities accounts annually for some 10% of citations globally and some 15% of the most highly cited papers published. Much of that research is undertaken with impressive collaboration with institutions in the United States, the European Union and the rest of the world.

We have two of the top 10 pharmaceutical companies based here in the United Kingdom. They represent a vital part of our economy, providing some £21 billion a year in exports. Consistently over the last 15 years, every year, they have contributed more than £1 billion in surpluses to the economy. The impressive large pharma sector is supported by more than 3,500 small and medium-sized enterprises in the medtech and biotech spheres; of those 3,500 companies, some 500 are actively exporting. They have seen substantial growth in the period 2009-14. For the medtech sector it is a 5.8% growth in revenue per annum; in the biotechnology sector it is 4% per annum in that period.

All that demonstrates that we have a fundamental and strong base but, in addition, we have something quite unique—the National Health Service, which provides care free at the point of delivery to all our citizens, and a wide range of care, and which has provided a unique opportunity over many decades to develop the base for our medical research, which in many areas leads the world.

What is striking is how the opportunities and the needs will grow, needs that will have to be addressed by the life sciences sector. The global value of the life sciences industries is some \$1.6 trillion; by 2023, that will grow to over \$2 trillion. With regard to healthcare expenditure and revenue, in the period between 2014 and 2027 it is estimated that expenditure on healthcare globally will grow by 5.8% per annum, but in certain markets, where we already have a very strong relationship and affinity, it will grow at an even greater rate—in India by some 15% per annum over that period, in China by 12% and in the Middle East and the Gulf by 8% per annum. So there are very big opportunities for the life sciences industrial base to make important contributions to our own economy. At the moment, some 300,000 people are employed in the science and technology sectors, in highly skilled jobs. The potential for that to grow over time to provide economic benefit and employment is quite obvious.

It is for that reason that there is so much focus on the life sciences strategy authored by Sir John Bell and presented along with its first set of sector deals before the Christmas Recess. In that strategy there is a focus on five important areas: to ensure that the science base in our country, to drive the innovation and discovery essential for life sciences, is properly invested in and maintained, not only in the public sector but through private sector investment through the sector deals; to ensure that the innovative companies that result from that discovery can grow in our country; and to ensure that the patient capital essential to allow them to grow over time to become substantial entities is provided in our own country, rather than those small enterprises having to look abroad and, potentially, move abroad, when they require greater investment. We need to provide the opportunity for an appropriate manufacturing base, with the skills required for those highly innovative industries to prosper and succeed in our country.

There are two elements that are vitally dependent on the National Health Service. The first is the adoption of these innovations at scale and pace within the NHS. This is critically important for a number of reasons. First, the delivery of healthcare in our country is not going to be sustainable unless we are able not only to adopt innovation to make the delivery of healthcare more effective in improving clinical outcomes but to use in the most efficient fashion the vital and valuable resource that the state makes available for the delivery of healthcare, providing true value for each of the health economies and institutions where that delivery takes place. Secondly, as we have heard from the noble Lord, Lord Mandelson, there is the need to harness the ability to use the unique data generated in the National Health Service through the care of countless millions of patients, day after day, month after month and year after year. This longitudinal database is unique in the delivery of healthcare anywhere in the world.

[LORD KAKKAR]

It can inform research, development and innovation to develop new therapies and technologies and improve the way that we deliver care. All this has huge value in improving the health of our nation and in providing a remarkable opportunity to generate wealth. As the House has already heard, using the technologies that we develop, and the companies that have developed as a result of them, to export globally will transform healthcare throughout the world and, therefore, also ensure and enhance the standing of our country as a leader in healthcare and life sciences.

The life sciences industrial strategy makes a number of important proposals. One is the health advanced research programme, developed to mirror the very impressive programme established some decades ago by the Department of Defense in the United States to ensure that high-risk proposals—the so-called moonshot strategies—can be properly invested, developing transformational technologies and innovations that will have a profound impact, in this case on human health. It has worked so well in the area of defence in the United States because that department has such a huge expenditure budget. This brings me to the question of the vital role that the life sciences strategy envisages for the National Health Service. It must be able to adopt innovation at scale and pace and to provide confidence to those who are going to invest in high-risk strategies that if they are successful there is the opportunity for the home market—the remarkable National Health Service—to adopt those innovations for the benefit of patients and our fellow citizens.

In this regard, there is some concern. The strategy is excellent, but it is unclear how the Government are going to secure the role that the NHS must play in ensuring that the life sciences strategy can be a success. I have three questions for the Minister. First, how do the Government envisage securing the critical role which the National Health Service must play in the broader life sciences industrial strategy? How will funding be made available to ensure the adoption of innovation at a local level, which is vitally important to support the industries that are envisaged as part of the life sciences strategy? How can the Government aid in transforming the culture in the National Health Service, to ensure that what needs to be done by way of adoption of innovation, beyond its funding, will be practicable and possible in terms of developing the remarkable staff who work in the service, ensuring they have the skills to interact with the innovations that are going to be available and overcoming the culture which is sometimes resistant to adopting innovation?

Finally, how will they ensure that lessons are learned from previous attempts at a life sciences strategy? Will the important lessons from the 2011 announcement of a life sciences strategy by the Prime Minister of the time and the subsequent innovation, health and wealth strategy, announced by Sir David Nicholson when he was leading the NHS, be properly adopted to ensure the success of this strategy?

4.04 pm

Lord Maude of Horsham (Con): My Lords, I draw attention to my entry in the register of interests. It is a pleasure to follow the noble Lord, Lord Kakkar, who

has a deep knowledge of life sciences and the medical world and gave a powerful exposition of the opportunities for Britain to be a world leader in this sphere. I am conscious that I am speaking before my noble friend Lord Heseltine, described by the noble Lord, Lord Mandelson, as the grandfather of the industrial strategy. If my noble friend is the grandfather, maybe the noble Lord, Lord Mandelson, is the godfather, so I am in an uncomfortable position.

It is good that we are having this debate, and I congratulate the Minister on his excellent exposition of the strategy. There is much in the industrial strategy to agree with and very little to disagree with. If I had a criticism, it would be that it has turned into something of a compendium of all the Government's economic policies. There is always a temptation in government to try to wrap together as much as possible into one document. To pick up a point made by the noble Lord, Lord Kakkar, I would have preferred something a little more focused on action and what the Government will actually do. As a Minister, I became an advocate of what became known as the JFDI—"just do it"—school of government. While the strategy document contains much on digital that is welcome, the process that led to its publication felt somewhat analogue. There was a time-honoured process of creating a Green Paper, which was put out to consultation for many months. One knows from experience that much of that consultation—this is not a criticism; it is just the very nature of it—will have been with large companies because smaller ones are getting on with running their businesses rather than engaging with such exercises.

I will focus my remarks on the kind of intervention that would normally be regarded as part of an industrial strategy. Obviously, much of this document concerns an issue in which the Government, inevitably, have always had a central role: the provision of infrastructure. It is in the nature of things that the Government's role is central to that. We can debate how and when it is done and how much is spent, but it is indisputable that the Government must be at the heart of it. Similarly, the Government's role will always be pretty central to skills, as it obviously is to creating the right regulatory and taxation fiscal environment for business to flourish. However, today I will focus on more sectoral issues. That approach was developed in the coalition Government, looking at how the Government can use their ability as a convener of business interests, as a funder in some circumstances and as a customer in many circumstances to make different things happen in the business world, perhaps creating a new opportunity or building for the future on some specific skills and strengths in the economy.

I will focus on three areas, the first of which is digital and data. I wholly support what is set out in the industrial strategy about digital. Although the implementation of the fast broadband programme may be slow—certainly in my part of the world—that commitment is welcome; it needs to be implemented effectively and swiftly.

London has become a focal point in Europe for the whole world of digital and technology. Berlin is a competitor but London is a long way ahead. Tech City is now not just a cluster; it goes much wider. At the last count, there were 24 or 25 different tech clusters

around the UK, which is enormously important. The role of government in supporting that is huge but its role as a customer barely appears in the industrial strategy. When I became Minister for the Cabinet Office in 2010, 87% of government spend on IT was with seven multinational providers.

Procurement at that stage looked as though it was deliberately intended to freeze out newer, younger, more innovative UK-based suppliers. There was an almost universal requirement, even to bid for a contract, to show three years' audited accounts. That would have ruled out most of Tech City—most of Silicon Valley, in fact. There was a requirement for turnover thresholds, for performance bonds and for a bidder to show that it had insurance in place to cover the total value of a contract, even before bidding for it. Endlessly complicated pre-qualification questionnaires, which were standard practice but different in each example, simply made it impossible and unattractive for small and newer businesses to compete. Mainly culture rather than regulation led to that, and we struggled to open up procurement to many more businesses. BIS was a big support to the growth of the start-up tech sector in the UK. By the end of the coalition Government, the map of suppliers of IT and digital services consisted of dots sprinkled across the entire UK, instead of seven dots predominating in London or the south-east of England. So the role of government in promoting the development and vitality of this sector is absolutely crucial.

It is clear that start-ups—indeed, the whole world of development of technology—depend heavily on overseas talent, and in the new world we are entering, it is essential that we remain open to talent. Taking back control of immigration absolutely allows us to give access to the right talent at the right time, but my concern—the Government need to be very alert to this—is the tendency of the Home Office to coat a lot of the processes with a heavy dose of bureaucracy. The ability of companies to get consent quickly for people to come here and make the commitment to work in the UK will be hugely important; the Civil Service needs to be galvanised into dealing with that effectively and swiftly.

The Government's role in the world of data is hugely important, because they own a lot of data. Historically, they have guarded it closely, but of course it is not the Government's property but the public's. This data has been accreted over the years through the spending of taxpayers' money, and much of it has come directly from the citizenry and the world of business. In the first Industrial Revolution, the raw materials were coal, iron and steel; in this industrial revolution, the raw material is data, and government can make much more of it available.

By the end of the coalition, the UK Government were ranked top in the world for open government, and a big part of that was a very aggressive programme of releasing government datasets, particularly but not exclusively in the geospatial field. However, we started to lag behind—Ordnance Survey in particular was very reluctant to release data. The French Government were much more aggressive than us, and that is where some of the geospatial development talent and enterprise started to gravitate towards. I urge the Government, as the industrial strategy permits them to, to pursue

aggressively a continuing programme of open data and releasing data as raw material for this new industrial revolution.

The second area I want to focus on is nuclear, which barely gets a reference in the industrial strategy. Historically, Britain has had a huge stake and capability in civil nuclear, but much of large nuclear has disappeared from the UK, and we have had the creaking, tortuous process of getting to the point at which Hinkley is contracted for. I urge the Government to look more enthusiastically at the world of small modular nuclear reactors, for which we do have capability in this country. The advanced nuclear research centre based around the University of Sheffield—which may have been set up under the coalition Government, or possibly before then—is one of the research centres developing that capability. However, intensive government intervention is required to make all this happen.

The Government have the power to convene the different nuclear industrial interests and to work with them to make this happen. This technology could be a serious export activity for this country. Small modular nuclear reactors that can be built in the factory rather than painstakingly constructed on site, as large nuclear requires, are exportable pieces of equipment and could become a commodity product. There is a huge opportunity in developing countries, such as large parts of Africa, where this technology is very useable. I again urge the Government to look at this issue, which requires intensive and co-ordinated activity across government.

The third area is one of the grand challenges rightly identified in the industrial strategy: an ageing population. We know that the population is ageing, and I suppose in this Chamber I am preaching to the converted when I say that that is a very good thing. However, it does have its challenges. It is a truism that probably the single most significant factor in deciding whether a society will succeed in the decades ahead is how successful it is at keeping people living well and independently at home. Technology such as distance monitoring is absolutely central to that.

I want to pick up a point that the noble Lord, Lord Kakkar, made in his excellent remarks about the culture of the NHS. The role of the NHS in this is central, but far too often I have found its culture to be innovation averse. There is a tendency to believe that anything new is simply a cost, but we know that what really costs money in the NHS is people going into hospital and staying there. Technology that enables people to be kept well independently, at home, is not a cost but a saving. It is an essential part of any industrial strategy building on our strengths.

I commend the Government for bringing forward the strategy and hope that it will be taken forward with a strong focus on action and implementation.

4.19 pm

Lord Hollick (Lab): My Lords, successive Governments have energetically committed themselves to boost growth by improving industrial performance. After all, growth secures and improves the public finances and promotes a feeling of well-being and confidence—two sentiments which have been notably in short supply since the 2008 financial crisis.

[LORD HOLLICK]

In the 1960s, Harold Macmillan created the National Economic Development Council to inaugurate indicative sectoral planning. Backed by Treasury funds to support a big infrastructure investment programme, the country then set off on a dash for growth to achieve 4% per annum. Harold Wilson went further and published a national plan to capitalise on the white heat of the scientific revolution. The target 4% growth rate was achieved, but not for long as the Government became distracted by the troublesome behaviour of the pound. Edward Heath concluded that the best way to help Britain recover from being the sick man of Europe was to join the European Economic Community, with its large addressable market and bracing competition from other nations with more successful manufacturing sectors.

And so to today, where many of these themes find an echo. The economy is in austerity mode, weighed down by the cost of the financial crisis. We are now on the brink of leaving the EU or contriving to find a semi-detached relationship. Wage levels, unless you are in the FTSE boardroom, are trending flat and confidence, as measured by the depressed state of corporate investment, is at a low ebb. George Osborne decided to double down on austerity and thus failed to take advantage of historic low interest rates to invest in fixed and human capital. He coined some snappy phrases, such as the march of the makers and the northern powerhouse, but failed to take steps to make them take root.

In contrast, Mrs May has brought planning back to centre stage and added industrial strategy to the title of her business department. The detailed industrial strategy that has been published is to be commended, but can it be delivered? The plan's analysis of the UK's shortcomings is wearily familiar, but no less important for that. Labour productivity has declined faster in the UK than in any other OECD country; total investment in science and innovation is 1.7% compared with the OECD average of 2.4%; our workforce is inadequately skilled; investment in our infrastructure is far too low; and we have a long tail of low productivity firms. Crucially, we fail to translate our brilliant research into successful businesses and, if we do—we do sometimes—they are often snapped up by overseas investors with funds which will help fill the trade deficit, which continues to deteriorate despite the strong growth in services. The industrial strategy unflinchingly acknowledges these deficiencies and offers a wide range of initiatives backed by a measure of funding too often deferred.

However, against the backdrop of the deteriorating macroeconomic outlook and the complete unknown of life outside the EU, I doubt that these sensible, but modest, initiatives and the level and timing of the funding will suffice. To work, a strategic plan must set clear, prioritised targets and ensure that all are adequately funded and resourced. Above all, the focus must be on outcome not on a long list of activities. This strategic plan has few measurable targets, and the funding is thinly spread across a frankly confusing blizzard of microinterventions. Crucially, there is insufficient thinking and planning to boost the demand side, where the UK's economy is chronically deficient. Will the proposed

governance structure, headed by an independent industrial strategy council comprising business people, investors, academics and economists, have the resources to evaluate the effectiveness of all the initiatives? Will its work be supported by an expanded OBR? I ask this because the Government have poor form on independent accountability. The National Infrastructure Commission was initially to be a statutory body to monitor and make independent reports to Parliament on all major projects, but after pushback from the departments whose projects would be exposed to the cold light of independent scrutiny, the Treasury quietly dropped the potentially inconvenient statutory status.

The commitment to devolve the implementation of the planned initiatives to the regions is welcome, but it must be backed up by hard cash transfers from Whitehall and must allow the regions to work out for themselves and select which of the policy initiatives they wish to implement. This will help to rebalance government funding away from London and the south-east and will introduce a necessary element of competition.

Housebuilding would be a major beneficiary of a move to devolved responsibility, but only if local authorities are allowed to borrow to build and, in particular, to build much-needed social housing. The Economic Affairs Committee of this House, which included two former Chancellors and three Treasury mandarins, last year recommended a target of 300,000 new homes a year. That target is included in the strategy. The committee also crucially called upon the Government to lift the limits on local authority borrowing for housebuilding. The UK should adopt the accounting convention of most OECD countries and exclude public loans to build houses, which are, after all, income generating, from the public sector borrowing calculation. This change would allow local authorities to fund themselves and to partner housing associations and private sector builders to deliver the homes which are so desperately needed.

The Budget promise to increase funding for housebuilding is helpful but is estimated to deliver only an additional 30,000 homes over the next five years. Bolder action is required, but finance is not the only constraint. The housebuilding industry estimates that an additional 500,000 workers are needed to build 300,000 homes each year. Where are they to be found? Surely it is time that the Government came clean and explained how immigration restrictions will be managed to ensure that the workforce will be available to build the homes the country needs and that other sectors of the economy are adequately staffed. A strategic plan without the provision of the skills to implement it is a sham.

The strategy is right to plan to capitalise on the UK's strong position in artificial intelligence. To do this the tech sector needs to be able to continue to attract the best talent from around the world. The Government should use public sector procurement to boost the development of AI by ensuring that it is deployed throughout the public sector. Government funding for research and development should be provided on a partnership basis with industry so that the risks and rewards are shared proportionately and so that the Government receives a fair share of the profits on successful AI products. A vibrant AI sector can also

promote digital adoption by companies large and small to the great benefit of national productivity—but there is a but. Our digital infrastructure is second rate. We rank 54th in the world for fibre connections to premises. The commitment to spend £1 billion to beef up mobile and broadband is wholly inadequate to build a universal fibre and 5G network. The Government's response that the market will take care of it is dangerously complacent. They must produce a comprehensive and costed plan in partnership with industry to provide this crucial infrastructure if they are to achieve the objective set out in their plans. If they can find £70 billion for HS2 to make 19th century infrastructure go faster, surely they can find a lesser sum to fund the essential digital infrastructure of the 21st century which, unlike HS2, will pay its way.

An AI turbo-charged economy is expected to bring significant disruption to the workplace. Some roles will be enhanced and new roles will be created, but many will disappear. There is likely to be a prolonged period of turbulence and uncertainty which will call for far-reaching changes in education and training and, in particular, in retraining throughout a lifetime. This means an increase in funding and a rebalancing to boost skills and vocational training.

The overall macroeconomic outlook for the UK continues to be very challenging. Leaving the EU brings uncertainty, disruption and confusion, which are all enemies of growth. The industrial strategy sets out clearly the deep-seated and persistent problems the country faces. The combination of these three challenges demands a bold and radical response which can build on many of the proposals included in the strategy. Now is not the time for unfocused half-measures or for funding deferrals. To meet the challenge the strategy should be radically reworked to prioritise key elements, set clear and verifiable targets and ensure that the proper levels of funding are in place. Borrowing to invest in a long-term growth plan is now a national priority.

4.30 pm

Lord Addington (LD): My Lords, when you speak in a debate such as this it is quite odd to discover that you want to take a slight deviation in approach. So far all the speeches have, understandably, concentrated on the macro situation—the broader picture. In doing so they have covered the variety of subjects in the strategy's structure. I think it was the noble Lord, Lord Maude, who suggested that it is a compendium of policies brought together. I will focus on the second—people—and on one specific area.

I have for many years—I thought about it and discovered that it has been over four Parliaments and three Governments—been talking about the role of apprenticeships and how they are, or are not, allowing those with certain disabilities to take advantage of them. This an appropriate point to remind the House of my declared interests, particularly in dyslexia and assisted technology. We have moved on from a situation where you had to pass an English test to get into the apprenticeship system, which I think the noble Lord, Lord Nash, eventually dealt with by saying that it was ridiculous to have this for somebody who was dyslexic or had one of the other hidden conditions.

It means that you have problems with writing, or indeed doing an online test. Therefore, a change was made.

We have now moved on to doing something that is equally stupid. Indeed, the cock-up school of history seems to have come back to us in apprenticeships. In a component part of skilling up people's skill set, we have found yet another little example of where, if you take your eye off the minutiae of what is going on, you will make a change. We have said that we will help only those with an education, health and care plan. For those who have not been immersed in the education system for quite as long as I have, the education, health and care plan identifies that you have a disability at a fairly high level. The problem is that it is at a fairly high level. Just under 3% of the school population are recognised as having this. Some 12% are regarded as having a disability. We have a nine percentage-point gap of people who may have problems that may mean they cannot access the written word very well.

In the modern world there is no reason why that should block you, for the simple reason that voice technology is now so common. Voice-to-text or voice-to-voice technology for taking and passing assessments is incredibly common. It is old technology. Dyslexics going through the education system would probably have been the first big group to use it. I have been using it for nearly 20 years. It was introduced to me by the computer department of the House of Lords, when we still had one. I met a group of RAF pilots for whom it was developed because they had run out of fingers when flying jets. It is a very practical form of technology. But if we help only the group with the highest level of identification, all those in the other group will not get the support they need to get a qualification.

We have moved to a world where we need qualified people and we expect to have them organised and structured. If we put artificial barriers in place, such as having to pass an English test if you have been identified as having a disability, while not allowing people to take it in the way they will probably access it in their lives, when you can write a note to somebody that appears on a screen by talking to a computer—every single computer has that capacity; your phone has that capacity—we are excluding a block of people from higher levels of training. I ask the Minister to go back and make sure that those in the skills sector start to address these problems correctly and deal with the absurdity of taking a group away and saying, “No, we'll restrict our skills base; we'll restrict your earning power and leave you there”.

This is a good example of one of the problems we have. When we looked at the Government's recent Statement about health and disability, it became quite clear that they had not taken on board people in jobs who are often unidentified as having a disability. I cited that 12% figure. Everything shows that many people have been unidentified in the past and currently, particularly at the edges, those who are struggling or underachieving do not expand their jobs or take on further qualifications. When we try to get the best out of our workforce, can we make sure that we start to identify these groups and help get qualifications for them through?

[LORD ADDINGTON]

It is often said that to be a successful disabled person in our society, you need one fundamental bit of luck and that is your parents. The “tiger” parent is the person who has that plan, the person who has the identification that allows you to go forward. I have not even talked about the university sector, where exactly the same principle applies. The problem is that many people in the apprenticeship sector are late-diagnosis or undiagnosed. Those training them are still undertrained. However, we have a far greater incentive to make sure that we find and identify these groups if we can get them through the qualifications—if there was incentive in the institutions they are in to identify them, train them and get them through. If the Government insist on setting such an incredibly high barrier for giving help, they will exclude most of the people who have been identified as needing it. They would be helping those who have the greatest problems in later life and not those who would probably succeed with a smaller degree of intervention. Even if we regard people only as economic units, it is idiocy. Will the Government make sure that the appropriate levels of support are available, meaning that you will be able to access the structure and with easier transfer of information and data analysis between bodies? If we do not do that, we will create a block and a drag factor on any structure and any plan for industrial development. Unless we can bring this group into the trained world and world of work generally at a high enough level, we will always have those who slow us down. It is not very difficult. I am talking only about using information that is already out there and the existing structure, and about the existing pattern of development whereby we are told, “You will now talk to your computer as opposed to tapping the keyboard”.

Can we please have some more development here and some indication that the Government are looking at how those in the disabilities sector will be helped and supported to make them productive members of society? I have not many met of them who do not want to join that group.

NHS Winter Crisis

Statement

4.38 pm

The Parliamentary Under-Secretary of State, Department of Health (Lord O’Shaughnessy) (Con): My Lords, with the permission of the House, I will repeat as a Statement the response to an Urgent Question given by my honourable friend the Minister of State for Health in the other place. The Statement is as follows:

“Thank you, Mr Speaker. I thank the right honourable gentleman for tabling this Question, as I agree with him that it is helpful for colleagues in this House to be updated on the current performance of the NHS during this challenging time.

We all know that winter is the most difficult time of year for the NHS, so I would like to start by saying a heartfelt thank you to all staff across the health and care system who work tirelessly through winter, routinely going above and beyond the call of duty to keep our patients safe. They give up their family celebrations

over the holiday period to put the needs of patients first. It is these dedicated people that make the NHS truly great.

Winter does place additional pressure on the NHS, and this year is no exception. The NHS saw 59,000 A&E patients every day within four hours in November; that is 2,800 more each day compared with the year before. The figures for December will be published this coming Thursday. We have done more preparing and planning this year than ever before, with planning beginning earlier, meaning that the NHS is better able to respond to pressure when it does arise. In the words of Professor Sir Bruce Keogh, the national medical director:

‘I think it’s the one [winter] that we’re best prepared for. Historically, we begin preparing in July/August. This year we started preparing last winter. We have, I think, a good plan’.

Let me tell the House about some of the things that have been done differently this year. We have strengthened further the NHS’s ability to respond to risk, including the NHS setting up the clinically led national emergency pressures panel to advise on measures to reduce the level of clinical system risk. We are supporting hospital flow and discharge. We allocated £1 billion for social care this year, meaning local authorities have funded more care packages. Delayed transfers of care have been reduced, freeing up 1,100 hospital beds by the onset of winter. Additional capacity has been made possible through the extra £337 million invested at the Budget, helping 2,705 more acute beds to open since the end of November. We have also ensured that more people have better access to GPs.

We allocated £100 million to roll out GP streaming in A&Es, and I am pleased that 91% of hospitals with A&E departments had this in place by the end of November. For the first time people were able to access GPs nationally for urgent appointments from 8 am to 8 pm seven days a week over the holiday period. In the week of New Year’s Eve the number of 111 calls dealt with by a clinician more than doubled, compared to the equivalent week last year, to 39.5%, reducing additional pressures on A&E. We also further extended our flu vaccination programme, already the most comprehensive in Europe. Vaccination remains the best line of defence against flu, and this year an estimated 1,175,000 more people have been vaccinated, including the highest-ever uptake among healthcare workers, which by the end of November had reached 59.3%.

We all accept that winter is challenging for health services, not just in this country but worldwide. The preparations made by the NHS are among the most comprehensive, and we are lucky to be able to depend on the extraordinary dedication of front-line staff at this highly challenging time”.

4.42 pm

Baroness Thornton (Lab): I thank the Minister for that Answer, and I am pleased to see that he is still with us and in his place at this time. I wish him a very happy and prosperous new year. I question the idea that the Government and the NHS were prepared for this winter crisis. It seems to me that, if extra funding was made available in November and December, that does not smack of preparedness at all. I was very

struck and somewhat chilled yesterday by what Andrew Marr said to the Prime Minister on his show. He said that had he experienced, when he had his stroke, the kind of five-hour delay experienced by Leah Butler-Smith and her mother, he would not have survived. I invite the Minister to have a stab at making a better job of answering that question today. What would he say to those whose lives have been put at risk by this winter crisis?

Will the Government be making available to us an analysis of the impact on patients, and the lives cost, of a combination of: 55,000 cancelled operations; 75,000 people held in ambulances; overstretched accident and emergency departments, with people on trolleys and even on the floor; up to 90% bed occupancy, which is very dangerous; a shortage of GPs; and inadequate social care due to the starving of funding to local authorities over a long period? When will we know what the impact of this has been on people? When will the Government properly fund and manage the winter stresses in our NHS?

Lord O'Shaughnessy: I thank the noble Baroness for her good wishes, and I wish her and all noble Lords a happy new year. She asked several questions, and I will try to deal with them all. Her first question was about being well prepared. Those were the words of Sir Bruce Keogh from NHS England, not mine. I should also point out that Keith Willett, the director for acute care for NHS England, said that the service is better prepared than ever. Of course, that does not mean that there are not challenges. We know that this happens every year.

One of the ways that we see challenges happen is that there are cancelled elective procedures. I have been looking back over the data for the past 20 years. In quarter 4 of each year—January to March—those cancellations do happen. In fact, I was looking back at 2000-01 and there were 24,000 cancelled or postponed operations that year, which is actually one of the highest over that period. These things do happen during winter, and that is one of the ways of coping. The Prime Minister has apologised for that, and I endorse that. Of course, it is not a state of affairs that we want to happen, but it is necessary to make sure that the most urgent cases are treated. It should be pointed out that the direction about elective procedures made it clear that time-critical procedures around cancer operations and others can go ahead. We will see over time what the impact of that was.

I will mention one other thing about preparedness. The noble Baroness talked about bed occupancy. Of course, we know that high levels of bed occupancy are a concern. Bed occupancy was below the target of 85% going into this period—on Christmas Eve it was 84.2%, I believe—so that was put in place. We know it is going to be challenging. We know that flu is going to continue to have an impact over the next few weeks, and we will see what we can do, but we know that the NHS has put in unprecedented levels of preparation to make sure that we can get through what is always a difficult period.

Lord Naseby (Con): My Lords, is it not encouraging that at least this year there was preparation for winter? The fact that it was not an enormous success everywhere

is a lesson that I hope Her Majesty's Government will take on board. Against that background, will my noble friend be preparing a report on the experience this winter? Will he confirm that next year there will be a plan which takes on board the experience of this year? I can quote only from local experience but is it not a fact that Luton and Dunstable University Hospital, which has had a special A&E unit for some years, did not have difficulty, whereas other hospitals that were not prepared to that extent appear to have had difficulty? If that is the case, is it not time we brought the other hospitals up to a better standard—the sort of standard that Luton and Dunstable University Hospital gives to its community?

Lord O'Shaughnessy: I thank my noble friend. He is right to point out that there is variation across the country. He mentions Luton and Dunstable University Hospital. It has been a pioneer of how to make sure that people coming into A&E are properly dealt with. Indeed, the £100 million that was invested in A&E services to support better triaging was based on the Luton and Dunstable model. Obviously, we need to make sure that those high standards are replicated across the country.

I will give one further example of an area where that planning has taken place. We know that there has been pressure on ambulance services and that there has been a variability of performance there. There is now a national ambulance control centre which is keeping real-time data and looking at how to manage that performance so that we can get a proper national grip on this picture.

Lord Crisp (CB): My Lords, does the Minister acknowledge that 59,000 people a day going into A&E is an indicator that there simply is not enough support in the community? Can he give us any indication of how many people he thinks could have been prevented from going into A&E and causing these sorts of problems in hospitals if there were more support in the community, which would mean, for example, that people with infections were caught early and would not need to be admitted? Does he also note that a recent survey showed that one-fifth of the people in adult mental health hospitals were there simply because there was no provision for them in the community? That does not mean just social services; it means housing.

Lord O'Shaughnessy: I thank the noble Lord for that point. He will have experienced a few of these difficult winters when he was running the NHS. It is difficult to say what number or proportion of those 58,000 or 59,000 people could have been treated in the community. We do know that the 111 service has been successful this year, with nearly 40% of calls involving a clinical opinion keeping people out of A&E, as has primary care. It is difficult to estimate, but we know that a number of people have been kept away. Of course, there is a growing and ageing population, and that is the underlying driver of demand. On mental health, the noble Lord is quite right. We have not done enough in mental health over many years, and that is one of the reasons that it has been a priority for the Prime Minister, with a big increase in the number of mental health staff in the years ahead.

Lord Campbell-Savours (Lab): My Lords, I understand there is a new strain of flu in circulation this year, for which the flu jab was not designed. Does that mean that elderly people, who are particularly vulnerable to this new strain of flu, should have a second inoculation?

Lord O'Shaughnessy: There are of course at any one time a number of flu strains going around. There is particular concern about one of those strains affecting elderly people. Its circulation has come about quite late, as it were, and I would absolutely point out that the best way for elderly people and all at-risk groups to protect themselves is still to get that inoculation. For those who have not—

Lord Campbell-Savours: A second one?

Lord O'Shaughnessy: I am not in a position to say whether they should have a second inoculation, but there are still a number of people who have not had that inoculation. Those vaccines are available in GPs, surgeries, and we absolutely encourage all groups to have at least a first one.

Baroness Jolly (LD): My Lords, it seems as if a winter crisis, year on year, is totally predictable. I cannot remember a year when there was not one, but I echo the Minister in paying tribute to those NHS staff, right across the system, who have worked flat out 24/7. Part of the problem is that the social care system and health system are not properly integrated—although I note from Twitter just now that Secretary of State Hunt has responsibility for social care, with immediate effect. Can the Minister tell me whether there are hospital beds occupied by people who no longer need them but are unable to return home? Can he give me an indication of the shortfall in accommodation or beds in the public, private and not-for-profit sectors in nursing and care homes? What gives the Government confidence that the £335 million in the autumn Budget will help, and can he give us some clarification on how that money is to be distributed?

Lord O'Shaughnessy: First, I join the noble Baroness by reiterating on a personal basis a tribute to the staff who have worked so hard over this period. I think we all know many of those people, and they do an extraordinary job. Social care is clearly a really important part of the picture because it is not just the flows into hospitals but the flows out. A lot of that is to do with delayed transfers of care. That is one reason why additional funding has been going in—I think it is £1 billion this year. It is important to point out that all local authorities have now signed up to plans to reduce what are called DToCs, in the jargon. DToCs have been falling, which means that there is the opportunity to get people out of hospital. That could be into a care home or residential care or it could be to their own home.

Lord Framlingham (Con): My Lords, the disastrous white elephant which is HS2 will cost a minimum of £60 billion. The NHS needs £5 billion to balance the books, and a fraction of HS2's cost would provide finance for the NHS for years to come. I urge the Minister to please urge the Government to scrap HS2 and spend the money saved on sensible projects, with the NHS at the top of the list.

Lord O'Shaughnessy: My Lords, I am happy to endorse calls for more funding for the National Health Service. That is precisely what the Chancellor provided in the Budget.

Baroness Finlay of Llandaff (CB): My Lords—

Industrial Strategy

Motion to Take Note (Continued)

4.53 pm

Lord Heseltine (Con): My Lords, it is 25 years since I had the privilege of becoming President of the Board of Trade and my first question on arrival, unsurprisingly, was “What is our strategy?”, to which the very surprising reply was, “We're not allowed to use those words here”. When I had the remarkable opportunity to produce my report *No Stone Unturned* about wealth creation, it took a week to negotiate an agreement with the Prime Minister and the Chancellor that the words “industrial strategy” should be included in the remit. That was possible only if I was prepared to say that it was with reference to other countries' industrial strategy.

I say to the Minister how much I appreciate the fact that this debate is taking place and how important it is that there is now a broad agreement, led by the Government and the Prime Minister herself, that we need an industrial strategy. The fact of the matter is that every Government of whom I have had any knowledge over the last 60 years have wrestled with the complexities of what that actually means.

There have been many attempts to find a way to balance the conflicting arguments that go around this subject. I came from a small-business background. There were two of us, but I ended up presiding over some of the largest public expenditure programmes in some of the most advanced, sophisticated fields, of space, aerospace, housing and of course urban deprivation. Without any difficulty at all, one realised that the simplistic language of getting off one's back, sacking a few civil servants and undoing the red tape is a million light years away from the responsibility of presiding over major technologically advanced programmes on which our industrial well-being depends.

The debate today has revealed, and will continue to reveal, the extraordinary complexity and the range of subjects involved. There is a tendency to talk about industrial strategy as though it was about industry—12% of our economy. That is nothing like sufficient as a concept. If you are really going to talk about wealth creation across the economy, you have to talk about the economy, which includes efficiency in the public sector just as prominently as excellence in the service sector.

I will concentrate on just three issues that run through the whole of this debate, starting with competitiveness. Anyone who has served in government knows that in this country the overarching responsibility of the Treasury hangs over all decisions. I have no complaints about that: if one is faced, as the Treasury is, with the voracious appetites of the public sector, it is very important that there is someone there to try to hold a degree of control. This problem is built into our system. In my lifetime, I have seen two PMs try to

institutionalise change on a significant scale. The noble Lord, Lord Hollick, referred to both of them. First, Tory Prime Minister Harold Macmillan created Neddy and, perhaps even more importantly, the Nicys that supported it. Following on from that, a Labour Prime Minister, Harold Wilson, created the Department of Economic Affairs. They recognised, rightly, that in the monopolistic structure of our functional departments, when those departments discuss their industrial strategy in collective fora such as a Cabinet committee, there is a need for a third voice to apprise the committee and the Government of the competitive position of this country on a world scale.

One sees this pre-eminently in the situation of, say, the Secretary of State for Health. It is the most stretching of jobs: every day there is a headline. I will not trespass in any way on the validity of many of the accusations or exaggerations that are made but if you are a politician—as we all are—seeking to do a decent job and to pursue a career, you cannot divorce yourself from the realities of the headlines that besiege you every day. To suggest that that particular person is going to divert away from the urgency of those controversies into wondering about a five-year, 10-year or 20-year industrial strategy is to miss the essence of what human beings are all about.

I believe that each government department has a responsibility to explain what its industrial strategy is—as indeed is recognised, because they all sponsor industries in different ways. The noble Lord, Lord Kakkar, was very eloquent on the subject of the medical opportunities. My noble friend Lord Maude was eloquent on the subject of the nuclear opportunities. The noble Lord, Lord Mandelson, who followed me into the Board of Trade and was a conspicuous holder of that office, was eloquent about the complexity and range of these matters.

If a department sponsors an industry, and the sponsorships are all set out clearly in public, one has to ask oneself how it carries that out. I believe it should have to answer to a collective forum of Ministers as to what it sees its opportunities are in furthering wealth creation, often incidental to the main function that it may have of running a health service or whatever it is responsible for. The problem with this analysis is that there is no capability in government to monitor or question that particular assessment. The monitoring that takes place is by the Treasury, which, quite rightly and properly, is trying to contain public expenditure. There is a need for a competitiveness unit under the control of the Prime Minister and based in the Cabinet Office.

My noble friend, in a very eloquent introduction to today's debate, explained about Britain's position in leadership possibilities in one field or another. Let us be frank: we are fighting for our economic survival against ruthless, highly motivated, highly disciplined, highly skilled and competitive nations, and there is no remorse. That will go on. So when we use language about "being ahead", "winning" and "leadership", someone needs, if only in private, to tap us on the shoulder and say, "Look, it's not quite that easy". The reality is that we are up against extraordinary, clever and energetic communities, using all the resources of modern government to win for them. We need to

know what they are doing and how they are doing it. We need to know reality—where we stand in international competitiveness. We need a unit in government drawn not just from Whitehall, although Whitehall must be there, but from academia and the private wealth-creating sector as well, in order to be part of that Cabinet analysis of Britain's competitive standing and the industrial strategy that should flow as a consequence of that analysis.

That is the first issue that I want to raise. I recognise at once that the Minister can say to me, "Yes, but we've covered this in the White Paper". So they have but, with respect, in a way that dodges the issue. The White Paper says there will be a review body; that is fine, but the body will not be part of the discussion that takes place. So the review will take place after the mistakes have been made, when they have become apparent and it is too late. I urge the Government to recognise the need for a competitiveness analysis at the time of decision-making when people are looking at the industrial strategies of individual departments.

My second point is born of excellence. We are so good. We have proportionately far more than our fair share of the world's great universities. We have wonderful schools, great teaching facilities and world-class training and skills facilities. The problem is the tail. There are too many people running organisations at the unacceptable bottom level of attainment in skills and schools. I am not making this up; this is merely to quote Ofsted reports, which are chilling. They indicate a degree of complacency across the country about the failure of schools in particular, although I think training colleges are now to be included as well. If this were the private sector, there would be no capability to tolerate 15% to 20% of your branches failing to deliver; that would be an end to your ability to run the company. In endless conversations that I have had up and down the country, the moment that you confront this issue, everyone knows where those schools are—their names are published—but when you ask, "Why do you not do something?", they say, "Oh, it is the cuts ... it is them ... it is someone else ... it is too difficult", or whatever.

It is morally and economically unacceptable that we are training a proportion of people who will never produce the skills that we need to fill the gaps that already exist. That is doubly so if we are to obtain the supply of skilled labour that is now part of government policy.

Something needs to be done. This is not a debate about whether we have more or fewer grammars or whether the academies will do this or the other. This is looking at the individual schools that are failing and co-operating at local level—I would say with local enterprise partnerships and the newly elected mayors in the seven conurbations—for local communities to address the issue. It may mean that you will sack some governors. It may mean that you will get rid of some head teachers, but the acceptance of this level of failure in our skills provision is unacceptable in any language to do with world competitiveness.

My third point is the overcentralisation of our Administration. We all know that Governments take decisions in London which, by a variety of means, are spread out across the country. We have a local authority system that, let us be frank, was relevant when the

[LORD HESELTINE]

horse and cart was the means of communication. The Redcliffe-Maud report of 1968, looking at this issue economically, stated that we needed about 60 self-contained autonomous authorities. We still have about 350.

I am the first to recognise the political arithmetic which means that we cannot get legislation through to streamline our local government arrangements. To that extent, and against that background, I must praise the Government for having managed to get seven conurbations with directly elected mayors. I say to the noble Baroness, Lady Randerson, that the reason why directly elected mayors are so important is that one person is accountable who is elected by the people and who can use their influence to make decisions on a far wider scale than the present councillor-led arrangements. That is one great thing that has happened: seven conurbations now have directly elected leaders, three led by Labour, four by the Conservatives. To answer the point made by the noble Lord, Lord Mandelson, that, at least, gives some hope that this will not become a party political divide: “What they did is wrong and we have to change it the moment we get in”. It looks as though we may now have found a way to move—rather late from 1968—to something like an objective analysis of where economic power should be shared.

My question for the Government is: if you look at what we have achieved in those seven areas—including Birmingham, Bristol, Liverpool, Manchester and London itself—what about the other conurbations? What is happening in Newcastle, Yorkshire, South Hampshire and the East Midlands—great areas of economic importance? What are the Government going to do to achieve what has been achieved in the seven conurbations in those that currently lag behind? It is politically charged—I am the first to recognise that—but the price that will be paid by those economies where people are not led effectively and do not enjoy sufficient local autonomy is politically unacceptable.

There is a very clear principle here. Central government must have the responsibility of determining what services are provided and the quality with which they are provided. The more they can delegate the execution and administration of those services to the people who live, eat and breathe the community of which they are members, the more effectively they will engender the support, enthusiasm and involvement in the partnerships that are central to getting the benefits that we want to a wider community.

I ask one final question of the Minister. Everyone knows that this is a long-term problem and that you have to start from where you are and keep at it. But is this White Paper the last one, or could we have one every year, just like every company provides, explaining how it got on? We are beginning on a journey of vast significance. It will be more enthusiastically monitored and pursued if we are told every year how well we did.

5.11 pm

Baroness Valentine (CB): I am honoured if somewhat hesitant to follow the noble Lord, Lord Heseltine, and I am pleased to say that I will pick up a few of those themes in my remarks.

I congratulate the Government on bringing forward their industrial strategy. I believe that it has largely struck the right balance in setting a post-Brexit economic direction and in recognising government’s role as a facilitator rather than a director of growth. However, as ever, the challenge will be in its implementation. As the 19th-century head of the Prussian army famously observed:

“No battle plan ever survives first contact with the enemy”.

I want to focus my remarks primarily on the chapter on places, but before doing so I particularly welcome two themes in the document. I have long been an advocate of transport investment facilitating economic development. I am now on the board of HS2 and see the benefit this is already bringing to Birmingham. More broadly, I believe it will create an economic and social spine for mainland Britain. It will improve national productivity by connecting businesses across the country to a wider source of skills, professional services, collaborators, supply chains, and finance and markets.

May I also encourage the Government to progress the long-awaited expansion of Heathrow? I should declare an interest as chair of Heathrow Southern Railway, which is seeking to build a railway line from the south, both aiding connectivity and reducing air pollution. Secondly, as a council member of UCL, I welcome the commitment to continuing investment in research and innovation. The uncertainty caused by our future exit from Europe provides challenges in attracting and retaining the international talent we need to lead this activity, but well-founded and stable investment in research funding can help diminish that risk.

Let me now turn to the chapter on places. The responsible business network, Business in the Community, has recently launched a “pride of place” initiative to bring businesses together with the local community, local government and stakeholders to tackle some of Britain’s forgotten areas. They have asked me to lead a pilot programme in Blackpool. From Blackpool’s perspective, a top-down industrial strategy is all very well but I ask myself: is it really going to make any difference? Without the commitment to “prosperous communities” across the UK in the final chapter on places, I am not sure it will. Even then, it will be a struggle to achieve—indeed a heroic struggle to achieve everywhere in Britain. So let me make a few general points about inclusive growth in left-behind areas, to use government vernacular.

I believe that to be successful the Government must: back local cross-sector leadership in natural socioeconomic geographies; maximise devolved decision-making and provide associated funding; and provide targeted investment, at the same time as confronting and addressing complex factors where Whitehall policy is causing problems locally.

I use Blackpool as an example to expand upon these points. Blackpool is one of the most deprived areas of the country. Among local authorities it has the most children in care and the highest rate of people too sick to work. It has poor-quality housing in its centre and its secondary schools are struggling. On the other hand, its tourism sector is seeing a resurgence, with visitor numbers increasing from 10 million to

17 million over the last decade. It is investing in a new conference centre and hotels and its sixth-form colleges are excellent.

In economically fragile places such as Blackpool, it is essential to take a holistic approach, working with the public, private and voluntary sectors. Social and economic issues go hand in hand and while the Government may focus on certain industrial sectors top down, going with the grain of what works locally is essential. I therefore welcome the aim of encouraging local industrial strategies. However, county council and local authority boundaries rarely reflect economic geographies. In Lancashire, there are in effect three: east Lancashire, the Preston area and the Fylde coast. Having worked in both Blackburn and Blackpool, I know how different they are. One has a large Asian minority, who came to the UK originally to work in textiles, while the other has a predominantly white community with a strong Victorian tourism legacy. Therefore, while I welcome the focus on local enterprise partnerships as a vehicle for local strategies, each natural socioeconomic geography needs its own leadership within this framework, and the Government need to have a way of providing a measure of devolved decision-making and funding to regions which do not fall into convenient boundaries or political structures.

Targeted investment which the Government could usefully make in Blackpool and the Fylde coast includes: in skills, backing an institute of technology and consolidating Civil Service jobs in a mini hub in Blackpool town centre; to support the tourism sector, providing tangible incentives for the private sector to invest in hotels, restaurants and attractions; and in infrastructure, reopening the railway line to the isolated town of Fleetwood and improving Blackpool North station once the welcome electrification of the main line is complete. All these investments put together would not be expensive in national terms and would indeed pay dividends. I welcome the existing investment in the opportunity area and urge the Government to continue to do everything they can to make sure that Blackpool and other opportunity areas have the best possible leaders in their secondary schools.

Conversely, Blackpool's housing is an example of where amending unhelpful national policy could even save the Government money. Blackpool has at its heart a private sector slum, fuelled by public money. Properties in wards such as Claremont and Revoe are largely privately owned and their occupants are on benefits. From the landlords' perspective, there is little incentive to keep the quality up but much incentive to house the maximum number of tenants with guaranteed housing benefit. As a result, Blackpool attracts, and landlords advertise for, a disproportionate number of people with complex needs from all round the UK. At the crux of the problem is housing benefit paid according to a Whitehall formula which would not reflect the real market rate for such poor-quality housing.

Although the problem is extreme in Blackpool, it is reflected in other seaside towns. This is a problem which government needs either to help solve or provide the tools for the local council to manage. If it remains unsolved, it is difficult to conceive of a successful and sustainable local industrial strategy. As a recent *FT* article put it:

“Blackpool is a net importer of ill health”, and “unemployment”.

But turning to the positives, any industrial strategy for Blackpool would need to include tourism. The tourism sector always seems to be the Cinderella of government business sectors, yet with a burgeoning middle class in India and China it would seem an obvious candidate for exploiting post Brexit. Indeed, Blackpool hosts the world ballroom dancing festival, which attracts large numbers of Chinese, alongside, of course, “Strictly Come Dancing”.

I conclude by saying that Blackpool would be keen to be regarded as a tourism zone in any sector deal, provided of course that this comes with real incentives for private sector investment, as well as being considered for one of the first pilots for a local industrial strategy. Perhaps the Minister would kindly answer two questions in his summing up. First, how are the pilots for local industrial strategies being determined? Secondly, do the Government intend working with partners such as Business in the Community and the Big Lottery Fund, which both have place agendas and could help to bring business and the community to the table?

5.20 pm

Lord Griffiths of Fforestfach (Con): My Lords, it is a great pleasure to take part in this debate on this very important subject. I thank the Minister for enabling us to take part in it. The Government's White Paper was an important document, ambitious, strategic and long term. If it is implemented successfully, recognising all the comments that the noble Lord, Lord Hollick, made, it clearly will lead to the long-term creation of jobs, to prosperity and higher wages in the UK economy. Yet to economists of my generation, the term industrial strategy is associated with failure not success—and I shall explain why.

You could say that the first industrial strategy that we had in the post-Second World War UK was the nationalisation of whole swathes of industry by Attlee, which was done so that business could more clearly, as state-owned enterprises, focus on satisfying the consumer. As has already been mentioned by a number of speakers, Harold Macmillan's Government set up Neddy specifically to bring together business, trade unions and government. Neddy survived until John Major closed it down in 1992. It has been mentioned that Harold Wilson set up the Department of Economic Affairs, with George Brown as Minister, and developed in 1966 a national plan. Something that has not been mentioned is that in Ted Heath's Government the Industry Act 1972 was passed, enabling the Government to give grants and funding to industries, particularly those in difficulties, and especially shipbuilding. In 1975, Tony Benn argued that there should be a compulsory agreement between the top 100 companies in Britain and the Government but, to avoid that, Harold Wilson deflected things by issuing a White Paper entitled *An Approach to Industrial Strategy*. So there is a sense of déjà vu.

Frankly, none of those initiatives was a great success. The nationalised industries ultimately had to be privatised because of low productivity and overmanning, and the national plan was soon scrapped, a year after it was published. As to picking winners, we might mention

[LORD GRIFFITHS OF FFORESTFACH]

the success of Rolls-Royce—but it is thought of primarily in terms of British Leyland and Upper Clyde Shipbuilders. Therefore, I have to say that when I first heard that the Government were about to announce an industrial strategy, I was sceptical.

I feel that I am open-minded, and the question that I ask is, “Why is it different this time?”. It is different for several reasons. The first is that lessons have been learned from the failures of past initiatives. The Government are not pinning their hopes on state ownership. It is about supporting viable private sector companies. Next, it is not about financial assistance to bail out failing firms; it is about how to support high-growth, innovative firms. It is not about backing state monopolies or cartels, but it is committed to competition being at the heart of the industrial strategy. On page 21 of the White Paper it states:

“We believe in the power of the competitive market—competition, open financial markets, and the profit motive are the foundations of the success of the UK. Indeed the best way to improve productivity is to increase exposure to competition”.

In addition, it is not about backing existing technologies but about supporting the development of new ones at the cutting edge which require basic science and innovation. Finally, it is about supporting companies that are not being hampered by overpowerful trade unions, which so restricted the ability of companies to manage as they wished to manage. These reasons are sufficient to say that lessons have been learned. Although I believe strongly in an enterprise, open, competitive economy, this Government’s approach has nevertheless learned lessons from the past.

Another reason is that the Government have thrown everything at the industrial strategy, as the noble Lord, Lord Hollick, mentioned. Any policy which has any implication for the economy is part of the industrial strategy. That can be seen as a weakness but, on the other hand, it is a strength. The Government are trying to harness resources from all aspects—and it is a vast area—in order to tackle the problem. In that sense, this strategy is not just about support for business. It is not about bringing management and trade unions together. It is about drawing on all the resources of government.

The final reason for feeling that it is different this time has to do with one aspect of the industrial strategy—sector deals. When I first read the paper, this was the part that I was most sceptical about. I have really changed my mind as a result of being, with the noble Lord, Lord Kakkar, and the noble Baroness, Lady Young of Old Scone, a member of the Select Committee on Science and Technology and taking evidence for our review of life sciences in the UK and industrial strategy. What impressed me about the sector deal announced just before Christmas was, first, that private sector firms such as Novo Nordisk, MSD—known as Merck in America—and QIAGEN were making significant commitments to build research facilities in Oxford, London and Manchester, to pioneer medicines, diagnostics and genomics. Secondly, medical charities such as the Wellcome Trust, Cancer Research UK and so on are also making a real commitment. Then there is the Government: we have already heard about the role of the NHS, but there is also basic university

science research; the post-Brexit immigration policy commitment which has been made; the infrastructure in clusters; and the Government’s commitment to developing the Oxford-Milton Keynes-Cambridge corridor and, as has already been mentioned, to digital innovation hubs.

There is a story underlying this industrial strategy which marks it out from those of the past. However, there are still questions to be answered. Might the sector deal end up supporting, or even subsidising, weaker firms in that sector? What if shareholders feel that the commitment made to research has not been matched by the financial returns they expected? Will they demand a quid pro quo on what the NHS should be purchasing from them? What about the tariff of prices negotiated for their products which are bought by the NHS? At present, pricing policy is outside the sector deal. Can it remain so? The industrial strategy is clearly a work in progress but, nevertheless, there is everything to play for and it is worth backing.

I will make three final points. First, what came out very clearly when the Select Committee took evidence from business people running pharmaceutical companies and from people involved in research, as well as from Sir John Bell—and at the launch of the life sciences industrial strategy at No. 10 Downing Street—was that senior businessmen from the US and the continent value the fact that we have world-class institutions, such as universities and medical schools, and world-class hospitals where clinical research is done. That is important. The noble Lord, Lord Kakkar, eloquently made that point in his speech.

Secondly, and nearer to home, one of the constant complaints from business is the lack of long-term capital. Here there are two suggestions. The first is from the Treasury committee on patient capital, which looked at the problem. We have pension funds and insurance companies in Britain that have assets of over £3 trillion. They clearly have a long-term investment horizon and, obviously, they have to manage their risk carefully. However, they tend to be quite short term because they have to follow the prudent person principle whereby investment advisers have to approach such matters from the stance of how “a prudent person” would look at them. Interestingly, in two countries, the US and France, they ask themselves, “Could we not continue with a prudent person principle yet allow long-term funds such as pensions and insurance companies to put a slightly greater proportion of their investment into unquoted equities?”. The conclusion of the Treasury’s patient capital review is that that should be examined and the Pensions Regulator should be asked to give advice on it. That is a great idea, and if it could be done, it is the one thing that could transform the supply of capital to innovative companies which want to grow in the UK.

The second suggestion is to do with quantitative easing and the Bank of England’s interest rate policy. I am all in favour of the Bank of England’s managing interest rates to keep inflation down and ensure financial stability. However, quantitative easing has had some quite horrific side effects in terms of the growth of consumer credit, excess credit and inflation, and the misallocation of capital to zombie firms. The OECD

did a major study of firms, covering the period 2003 to 2013, that it defined as 10 years of age-plus but with constant problems in meeting interest payments. It concluded that zombie firms are,

“a drag on productivity growth as they congest markets and divert credit, investment and skills from flowing to more productive and successful firms and contribute to slowing down the diffusion of best practices and new technologies across our economies”.

When the Bank of England recently raised interest rates, for the first time in 10 years, it said that in future the rises would be,

“at a gradual pace and to a limited extent”.

I feel that, like the US, we could try to get back to more normal interest rates. That would ease up capital that could go into innovative firms.

The third point concerns the future—this is not something that I will dwell on—and the governance of the industrial strategy. There is a Cabinet committee headed by the Prime Minister and an industrial strategy council with people from the private sector. Beyond that, however, there is a great haziness concerning delivery. As regards the implementation of new policies, during my five and a half years in No. 10 Downing Street I always felt that the design of a new policy was 10% of the problem whereas the implementation—the delivery—was 90%.

In conclusion, this policy is different from what we have seen over the last number of decades. We also live in a different world, with the digital revolution. The industrial strategy is still a work in progress. However, I believe that if it is implemented, as well as striving to lower taxes, it will offer us the best possible way for a successful post-Brexit UK.

5.36 pm

Baroness Young of Old Scone (Lab): My Lords, I agree entirely with the last sentiments of the noble Lord, Lord Griffiths, about implementation. I am sure that the noble Lord, Lord Hennessy, will forgive me if I steal something he has already said in your Lordships’ House. He quite rightly pointed out that this is the ninth industrial strategy in his lifetime. In fact he said it was the eighth, but the noble Lord, Lord Mandelson, phoned him up and said that he had omitted his strategy of 20 years ago. The lesson from all these nine strategies, not all of which have been successful, is that implementation does not just happen. The Government’s *Industrial Strategy* that we are now considering lays out important implementation mechanisms: continued chairmanship by the PM of the Economy and Industrial Strategy Cabinet Committee and the creation of an independent industrial strategy council. I take seriously some of the reservations about the industrial strategy council that have been made. However, the overwhelming message is that these mechanisms must be designed to persist over many years to ensure that the strategy is delivered not just over an electoral cycle but over a decade and longer.

I am sure that the Minister will assure us that a wide range of other players will also shoulder the burden of implementation. Sector deals gave a key role to business players but are no substitute for sustained government leadership. Can the Minister also assure the House that sector deals will not overly rely on the

established technologies of major incumbent firms but will support disruptive innovation which can create the industries of tomorrow?

I did not intend to talk about the work that the Select Committee on Science and Technology is doing on the examination of the *Life Sciences Industrial Strategy* and sector deal. However, having heard the noble Lord, Lord Griffiths, say that he was reassured by the evidence taken in the Select Committee hearings, I will take a contrary view and say that I am unutterably miserable about it. We are in a position where both nationally and internationally the National Health Service is seen as a huge asset to this country for driving innovation and its uptake and for the concomitant benefit to businesses in a global sense in the life sciences. However, in reality, the evidence given by witness after witness has been totally dispiriting, both from the private company and quoted company point of view, and from the point of view of the NHS itself, about the ability to ensure that the NHS uptakes innovation, implements best practice and reaps the benefits of substantial cost savings that many of these innovations would bring. It is dispiriting, and I hope that the Government can bite the bullet.

I know that I am probably at the radical end of the spectrum on the solutions which seem to me to be sensible but I have led health services for 20 years and been the chief executive of Diabetes UK, a major research-based patient group, and it seems that we have now reached the point when 1,000 flowers blooming is no longer the name of the game but mandation of uptake of best practice, which happens regularly in America through the insurance companies, has to happen.

However, I wanted to talk not about the NHS but about infrastructure. I very much welcome the more strategic approach to housing and transport that the *Industrial Strategy* White Paper talks about, but the reality on the ground is not hugely encouraging at the moment. Rather than recognising the need for the right housing in the right place, the dash for housing is causing real problems at a local level.

First, on housing quality and the quality of place, we are now building the smallest houses in Europe. I used to dread going to stay with my friends in Holland because they lived in a rather small, boxy house. I used to get severe claustrophobia and had to break out after a very short time. However, the reality is that we are now building houses even smaller than those built by the Dutch. Many housing developments lack amenities such as transport infrastructure and there are insufficient green spaces, with all the benefits for health and the environment that these bring.

I was privileged to sit on the ad hoc Select Committee on National Policy for the Built Environment, and I commend its report to your Lordships—it still stands. We are very much at risk of building the slums of the future if we do not take up the recommendations of that report. Also, insufficient affordable housing in a range of tenures is being built, and that will have an inevitable impact on the supply of workers who are vital to the industrial strategy.

There is not enough long-term planning to ensure that housing is for life and can cope with the stages of family growth through empty-nesting to, ultimately,

[BARONESS YOUNG OF OLD SCONE]

older age. That is an important point in view of the fact that one of the four great challenges of the industrial strategy is ageing—a challenge which I am sure, as previous speakers have said, is of interest to your Lordships' House.

Regarding transport infrastructure, which is fundamental to the industrial strategy, the White Paper focuses primarily on major strategic rail and road routes and ignores the smaller feeder systems, which are underinvested and congested but which will nevertheless still have the power to gum up the works in terms of industrial strategy development.

So where does the problem lie? There are a number of issues. One is that the dash for housing and the streamlining of the planning system, which we debated during the passage of successive planning Bills in your Lordships' House, have had some serious repercussions. Planning authorities are now so driven by housing targets and by a fear of the sanctions that the Government can apply if an agreed local plan that both meets and delivers the housing targets is not in place that they are approving plans which are about not the right houses in the right places but the wrong houses in the wrong places. If local authorities fail to deliver a plan or the subsequent housing, developers can have a free run through to put things wherever they like, and government can take away planning powers and make decisions on behalf of local authorities. Local authorities simply do not wish that to happen.

In addition to local authorities making decisions on the run to avoid those sanctions, they are also very much weakened as planning authorities as a result of financial cuts and they are denuded of specialist staff. That, again, was a finding of the Select Committee on National Policy for the Built Environment. As a result, in working out the plans, they are hugely dependent on the analyses undertaken by the developers. Similarly, developers have the whip hand where viability assessments are used to challenge agreements made with them about their contribution to infrastructure and their commitment to affordable housing. In many cases, it is very much a David and Goliath situation. The chaps with sharp suits and sharp elbows—the planning consultants to major developers—roll in and put forward detailed cases demonstrating that it is simply no longer possible for developers to deliver on the infrastructure contributions and affordable housing numbers that they originally promised, and quite frankly the local authority has no means of seriously challenging that.

To make matters worse, these viability assessments are not in the public domain, being regarded as commercially confidential, so local people and local interest groups are unable to judge the calculations that underlie the decisions to short-change infrastructure contributions and affordable housing numbers. Therefore, I urge the Minister to consider how viability assessments can be routinely published in the future so that local people can judge whether their local authority is being robust in reflecting their interests. If that does not happen, we will have a backlash from many unhappy local communities across the country which see the reality of what is happening in the dash for housing.

The *Industrial Strategy* White Paper says:

“We want to support greater collaboration between councils, a more strategic approach to planning housing and infrastructure, more innovation and high quality design in new homes”.

I agree entirely with that sentiment but how will government shift the planning system from the sorry position it has been driven to, which certainly is not delivering the Government's vital aspirations for housing and transport infrastructure at the heart of the industrial strategy

5.45 pm

Baroness Coussins (CB): My Lords, a major petrochemical company recently backed away from investing £4 million a year in jobs in Scotland because it was worried that it would not be able to recruit staff with the necessary foreign language skills. And that is just the tip of the iceberg. Research suggests that the UK economy is losing out on well over £50 billion a year in contracts because of a lack of language skills in the workforce. If you cannot read the initial tender documents, you cannot bid for the contract, and they are by no means always written in English. A British Council report published in November said that the top five languages needed by the UK for prosperity and influence post Brexit are Spanish, Mandarin, French, Arabic and German.

Before I go on, I should declare my interests as co-chair of the All-Party Parliamentary Group on Modern Languages and as vice-president of the Chartered Institute of Linguists.

It is a regrettable flaw in a strategy which has such exciting and ambitious objectives that no mention is made of language skills as one of the key ingredients for enabling the UK to innovate, trade, prosper and lead in a global economy. Important and vital though English is, it is a mistake to believe that English is enough. The standard excuse for Britain's neglect of foreign languages is that English is the world's lingua franca. What this really means is that English is the world's preferred second language, not its first. In fact, only 6% of the world's population are native English speakers, and in the 21st century speaking only English is as much of a disadvantage as speaking no English.

It is also a mistake to depend on artificial intelligence for language translation, and it is worrying that the only direct mention of language skills to be found in the White Paper is in the context of AI and technology. Of course AI can be useful here but it is no substitute for the interpersonal skills, sensitive translations and localisation of sales, marketing and communications provided by people, not algorithms.

We have robust evidence to illustrate the importance of languages for business and growth. One study of SME exporters showed that companies that invest in language skills are able to increase the ratio of exports to sales by 37%. By contrast, evidence also shows that UK businesses are largely in an Anglophone bubble, with 83% of SMEs operating only in English, even though half of them say that language skills would help expand business and build export growth. The British Chambers of Commerce says that the biggest language deficits are in the fastest-growing markets and that over three-quarters of the companies it surveyed had missed or lost business because of this.

The White Paper flags up a review of export strategy to report in spring this year. I ask the Minister to ensure that language skills form part of this review and that the Government's GREAT website will give fuller advice on language skills and export growth. Could the Minister say also whether the network of nine UK trade commissioners to be established will have language skills as part of their remit? Relevant expertise is available, but it needs to be integrated and not just remembered as an afterthought. Under the former UKTI, one-to-one advice on language and cultural issues was provided—in 2015-16 to over 1,000 companies in one region alone. This service has now ceased in favour of regional contracts with the Department for International Trade, and it is not at all clear whether local businesses will still be able to access guidance on overcoming language and cultural barriers to trade.

The White Paper recognises regional disparities in the UK's skills base. There are stark regional weaknesses in participation and attainment in foreign languages, which correlate with regions of poor productivity and low skill levels. For example, in the north-east in 2016, only 43% of pupils sat a GCSE in a language, compared to 65% in inner London, and this gap has been widening year on year. We also need Her Majesty's Government to build languages into their plans for technical education. The national retraining scheme for targeting skills shortages is welcome, but can the Minister say whether modern foreign languages will be considered as a skill shortage in the next phase of the scheme? Over 70% of UK employers say that they are not happy with the foreign language skills of our school leavers or graduates, and are forced increasingly to recruit from overseas to meet their needs. Looking ahead to a post-Brexit world in which the UK aspires to be a leader in global free trade, it is rather shameful that only 9% of British 15 year-olds are competent in a first foreign language beyond a very basic level; that compares to 42% of teenagers across 14 other European countries.

The language industry is a sector not mentioned in the strategy, but in my view it would be an ideal candidate for the kind of sector deal envisaged in the Government's thinking. The language industry encompasses interpreters, translators, teachers, researchers, people who write textbooks, apps, CDs and websites, people who do subtitling and dubbing for films and TV, and all manner of other experts. This sector is estimated to be worth over €20 billion across the EU and has a very high growth rate. As an English-speaking nation, we are surely uniquely well-placed to take strategic advantage of this expected further growth, not only in Europe but worldwide. I am aware of a proposal for a sector deal for the tourism industry, which acknowledges that language skills are vital for increasing the value of inbound tourism and hospitality. Specifically, it says that,

"language skills are an essential business requirement and a significant element of providing good customer service".

We are not going to satisfy the needs of business or consumers if we do not act urgently to reverse the crisis in language education in the UK. Thanks to the EBacc, the number of GCSE entries is now stable, but A-level is in free fall. Since 2000, over 50 universities have scrapped some or all of their modern language

degree courses. Uncertainty over the future of the Erasmus programme has seen applications dip even further, and so we are not producing enough languages graduates to meet even the teacher shortage, never mind the needs of the wider economy.

Report after report from significant bodies such as the British Council and the British Academy, as well as the all-party group, has called repeatedly for a cross-government national languages strategy, because this is not a crisis solely for the Department for Education. Will the Minister undertake to initiate discussions across all relevant departments, at ministerial level, to start shaping such a strategy? Without the glue of language skills, the different elements of the industrial strategy will not hang together.

I have been talking mainly about export growth, but prospective inward investors do not want a monolingual environment either. Over one-quarter of senior executives from top European companies rated access to multiple language skills as "absolutely essential" when considering where to locate their business. This has been a significant driver in London's economic success.

I hope that the information I have provided this evening might trigger some revisions of this industrial strategy. Language skills are a key enabler of success. The language sector itself is an exemplar of innovation and leadership. By integrating these, the vision and objectives of the industrial strategy will be much more achievable.

5.55 pm

Lord Prior of Brampton (Con): My Lords, I am probably not the most objective commentator on this White Paper, having spent most of the past year working on it. However, I echo the words of the noble Lord, Lord Mandelson, who said he hoped that Greg Clark was at No. 10 today to be praised, not buried. I certainly hope that Greg Clark, my right honourable friend in the other place, is indeed back in the department.

Noble Lords: He is.

Lord Prior of Brampton: I am delighted to hear that.

In my view, the White Paper is more of an hors d'oeuvre than a main course: it acknowledges specifically that it is a work in progress and not the final result of our labours. We have not yet won the argument that an industrial strategy should be central to all government policy-making and that, if not addressed, low productivity and low earnings pose existential questions for our way of life.

Other countries have grasped this to a greater extent than we have. Look at China's One Belt, One Road strategy, Germany's Industrie 4.0 and Japan's Society 5.0—they are at the core of those countries' economic, social and industrial policies. They are central, transformational and driven from the top of government. You can hardly pick up a Japanese newspaper without seeing the Japanese Prime Minister expounding on artificial intelligence, drones or new industrial techniques. Contrary to public belief and much political rhetoric, the US too has a long history of industrial strategy, beginning back in 1945 with the seminal work *Science: The Endless Frontier*, produced for President Roosevelt

[LORD PRIOR OF BRAMPTON]
by Vannevar Bush. It marked the beginning of a massive investment by the federal Government in research, and saw the creation of DARPA, the NIH and other government research bodies. You need look no further than the Manhattan Project or the Apollo programme, or the more recent orphan drugs programme, to see the power of government in the US.

Yet part of British politics is still fighting the sterile, hopeless, outdated battle between those on the left who believe that public ownership is the answer to all evils and those on the right who deride and caricature all government involvement in industrial strategy as picking winners—by which, of course, they mean picking losers. This White Paper makes it absolutely clear that the Government have a critical role working with the private sector, universities and local government in driving the industrial strategy. This role goes beyond creating the right market or competitive environment, and beyond correcting market failure. It encompasses a much deeper, long-term partnership between government, universities, business and local civic institutions.

The noble Lord, Lord Hennessy, suggested I read for inspiration the Beveridge report, arguably one of the most influential reports written in 20th-century Britain. Beveridge declared war on the five giant evils of want, squalor, ignorance, disease and idleness. He wrote, which I thought was interesting, that:

“A revolutionary moment in the world’s history is a time for revolutions, not for patching”.

We are at a similar time in our country today. There are two giant evils: low productivity and inequality. They not only have a direct impact on the five great evils identified by Beveridge but, if not addressed, pose an existential threat to our liberal democracy. Already their influence can be seen with the rise of extreme politics and simplistic populism in the US and western Europe.

Productivity has slowed and, consequently, earnings have stagnated. Paul Krugman, the Nobel laureate for economics, said that productivity is not everything but in the long run it is almost everything. Globalisation has enriched billions of people in Asia and beyond but it has been partly at the expense of the middle classes in the west, especially in traditional manufacturing areas. Demographic change has exacerbated the problem. In the US, real median earnings have hardly moved since 1990. In the UK, earnings have stagnated since 2007. Paul Johnson, the director of the IFS stated at the end of last year:

“After taking into account inflation, average earnings remain below where they were in 2008. That’s unique in at least 150 years”.

The outlook for the next 10 years is not much better. It is likely for the first time since the Industrial Revolution started at the end of the 18th century that the next generation will be less well off than the preceding one. Millions of people have been left behind. The American dream has for many become a nightmare.

This is a far cry from the perceived wisdom back in the 1990s when Francis Fukuyama wrote “The End of History?”, concluding that,

“we may have reached the end point of mankind’s ideological evolution and the universalisation of Western liberal democracy as the final form of human government”.

If liberal democracy cannot deliver improving living standards, one is tempted to ask: what is the point of it or, at the very least, how long can it last?

However, low productivity and stagnant earnings are only half the problem. The other half is rising inequality. Between 1980 and 2016 the richest 1% of the population of the US took as much as the bottom 88% of the increase in real income. In the UK the top 1% took as much as the bottom 51%. Overall, the poorest 50% of the population of western Europe, the US and Canada over this period—some 30 years—took only 9% of the increase in real income. This level of inequality is not justifiable morally, politically or economically. It is not fair. It is simply not sustainable over a long period of time in a democracy.

These are the twin evils—low earnings and growing inequality—that any industrial strategy has to address. This industrial strategy takes a long-term view over more than 10 years. It is cross-party in its approach, building on the works of the noble Lords, Lord Heseltine and Lord Mandelson, Vince Cable, my noble friend Lord Willetts and the noble Lord, Lord Sainsbury. It is about the future not the past; it is about new disruptive technologies not incumbents; it is mission-oriented with the four grand challenges; it is built on the remarkable competitive advantage of our universities and research institutes; it builds in a cross-government delivery and measurement mechanism through the Cabinet committee, chaired by the Prime Minister, and the creation of the industrial strategy council; and it explicitly recognises the crucial partnership between government and the private sector as a driver of strategy—if I can put it this way, more Mariana Mazzucato than Milton Friedman, more UCL than Chicago. Perhaps most important, it recognises that the productivity and inequality evils cannot be addressed solely in London, important though London is. The revival of the northern powerhouse, the Midlands engine and our great industrial cities outside the golden triangle of London, Cambridge and Oxford is fundamental to the success of industrial strategy.

One of the most influential things that happened to me in the past year was going to Pittsburgh. I used to spend a lot of time in Pittsburgh in the 1980s, when it was a declining steel town, the rivers were polluted and crime was high. If you go back to Pittsburgh today you will see that, through the revival of the Carnegie Mellon University, the development of robotics and the cleaning up of the environment, it has completely changed. This is because the revival of strong local civic institutions has driven an extraordinary change in Pittsburgh. You can see this in Chicago, Cleveland and other great old American cities where they have strong elected mayors. I agree 100% with the words of the noble Lord, Lord Heseltine, that we can have a strong industrial strategy only if it devolves more power to accountable local leaders.

We have a saying in Norfolk that fine words butter no parsnips. The White Paper has fine words and we now have to deliver.

6.05 pm

Lord Eatwell (Non-Affl): My Lords, it is a great pleasure to follow the noble Lord, Lord Prior, particularly

as I had set out to be critical of the White Paper. Having listened to him, I realise I must temper some of my criticisms.

Although the policy set out in the White Paper is a step in the right direction, the measures proposed are a pale imitation of the sort of programme of institutional reform that could produce a real industrial renaissance. One of the fundamental problems is the failure to recognise the sheer scale of the economic difficulties facing Britain. The White Paper begins with the statement:

“The UK is a fundamentally strong economy”.

That extraordinary statement confirms a myopia. It refers to an economy in which investment as a proportion of GDP is lower than in both the US and the European Union and is below the average of OECD countries. Corporate investment in fixed assets fell from 11% of GDP in 1997 to just 8% in 2014, which is below the rate of capital depreciation. In other words, the corporate capital stock is being eroded. As has been pointed out by many earlier speakers, research and development spending in the UK as a proportion of GDP is about half the level of that in the US or Germany. Productivity—a concept that has been referred to many times—is lower than in the US and all the major European economies; since the financial crisis a decade ago, productivity has barely grown at all.

Of even greater relevance is the long-run deterioration of the core competitiveness of the UK economy. Our share of world trade has halved in the past 40 years, while Germany’s has been stable. The result has been a continuous deterioration in the balance of payments, now a persistent deficit of 5% of GDP a year. In other words, about one-twentieth of our standard of living—our food, clothing, travel and shelter—is paid for by borrowing from foreigners. At the moment, Britain cannot pay its way and the idea that the country is on the verge of conquering new global markets is an ignorant fantasy. These long-term, baked-in trends have all worsened since the financial crisis and, in particular, since the 2010 imposition of austerity policies by the coalition of Conservatives and Liberal Democrats.

Indeed, a serious lacuna in the White Paper is the lack of a policy on demand to match its supply-side policies. The Government seem to have learned nothing from the enormous damage done to the British economy by austerity. If demand is not growing, it does not matter how big the tax incentives, how creative the government initiatives: no one is going to invest. If there is no demand for your product, why would you? Similarly, it does not matter how cheap money might be: there is no incentive to invest without the prospect of a growing market and a positive return. No wonder that these days, British businesses are accumulating and distributing cash, not spending on investment.

In essence, as the White Paper rightly suggests, there are three main tasks, and any policy proposals need to be judged against the template of how far they promise success in these tasks. First, Britain needs a competitive industrial base; this can be defined precisely as an industrial structure that delivers a positive balance of payments at high levels of income and employment. It is easy to have a positive balance of payments by impoverishing your own society sufficiently, but a positive balance of payments with high levels of income

should be our goal. Secondly, it is absolutely right that to achieve this, Britain needs a significant increase in efficient investment in new technologies, capacity and people. Thirdly, Britain needs an economic policy framework that can be sustained over many years to turn around those 40 years of decline. This means that the programme must have strong political roots, involving, as it must, significant and sometimes disruptive change. There must be a broad social consensus behind the need for a programme of national economic renewal.

Instead of relying on the latest fashion in economic theory, we can turn to economic history for some insight into how this is done. In the mid-19th century, Germany, France and the United States faced the overwhelming industrial challenge of a dominant Britain. All three countries recognised explicitly their backwardness, and to compete, all three undertook fundamental institutional reforms focused on exactly the same goals I have referred to for Britain. Similarly, Japan and South Korea faced competitiveness problems after the war; once again, the reaction to backwardness was a major reform of institutions targeted on the three goals.

What are the institutional lessons for Britain? First, we must own up to the fact that the economy as a whole is in seriously poor shape. This recognition is undoubtedly hampered by the important point, emphasised in the White Paper, that Britain does have some world-beating companies, but we do not have enough of them and focusing on these exceptions obscures the underlying problems. Secondly, we must recognise that little or no good will be done by new tax incentives and various investment initiatives if the country’s fundamental institutional structure is not up to the job of overcoming our competitive backwardness.

What institutional reforms would at least start to tackle the job? First, research by the Bank of England has shown that the UK’s capital markets are more short-termist than they used to be and more so than those of other countries. There has been an observable increase in the priority that investors give to short-term returns over long-term returns. The result is that over the past quarter of a century, the proportion of profit that UK companies have been distributing to shareholders, rather than reinvesting in their businesses, has been increasing. The interaction between British finance and British corporate governance is resulting in exactly the wrong sort of incentives.

In many ways, of course, the UK finance sector is a great success story. In terms of its size, exports, employment and profits, it is one of the most successful in the world. However, that international success has been bought at a price. The financial sector injects international instability and risk into the domestic economy, as was so evident in 2008. No wonder there is an emphasis on short-term liquidity, a ubiquitous desire for exit and an unwillingness to commit to the long term when that long term is regularly punctured by financial disorder. There were attempts to address these failings in the ring-fencing provisions of the Financial Services (Banking Reform) Act 2013—a pale imitation of the 1930s Glass-Steagall Act in the US. That was relevant to America, but the reforms in the UK failed to take into account the reality of the

[LORD EATWELL]

British economy. Once the real structure of British finance is taken into account, it becomes clear that the ring-fence is in the wrong place. It should be between domestic finance and international finance. The stability of comprehensive financial services for UK firms should be rigorously enforced, while our booming, if unstable, international financial sector should be encouraged to do what it does best: selling outstanding services to the rest of the world.

Secondly, a stable domestic financial system would provide the motivation for and the possibility of a reform of corporate law, including the regulation of mergers, to incentivise the long-term investment culture that Britain so desperately needs. The current corporate structure, with its emphasis on the primacy of the shareholder—an individual whose commitment to any one company is totally transient—has to go.

Thirdly, we need new ways of tackling the long tails of very poor companies that exist in just about every industrial sector. The White Paper refers to the creation of sector deals, but again these are a rather weak version of what should be done. What is needed is an industrial reorganisation corporation with real powers to tackle the long, unproductive tails of inefficient companies that blight our economy.

Fourthly, in addition to financial reform, corporate law reform and industrial reorganisation, the rescue of the British economy from its uncompetitive quagmire will require an entirely new approach to research and development. As the White Paper acknowledges, in Britain we are fortunate to have some of the finest research universities in the world, but the Government seem intent on ruining the sector with their ideological pursuit of the marketisation of higher education. In both Germany and the United States, publicly funded R&D underpins their superior innovative performance. As my former pupil, Mariana Mazzucato, has pointed out, every significant innovation that went into the iPhone was developed in the public sector. In Germany, where 58% of companies invest in academic research, publicly funded R&D—much of its content stimulated by the private sector—underpins the country's remarkable competitiveness in manufacturing. Long-term public support is a crucial component of long-term R&D success.

Fifthly, we need a complete rethink of the ridiculous “Britain is up for sale” strategy that the Government falsely identify with being an open economy. How many times in recent years have we seen successful companies, many of them built on the foundations of public investment in education, research and skills, sold off to foreign interests as soon as they reach a decent scale? No other country pursues such a foolish and short-sighted policy—when will it stop? When will we have a policy on mergers and acquisitions based on the national interest?

Sixthly, these changes will not work unless the prospect of stable and growing demand provides a sustained incentive to invest: growing demand at home and growing demand from abroad. At home, government commitments to their own increased infrastructure spending must lead the way. Internationally, the fall in the pound provides an opportunity to recover lost markets, just as long as the competitive boost is not

squandered on increased consumption. Monetary policy must ensure that the gains from the low value of sterling are sustained over the medium to long term.

Finally, as argued by the noble Lord, Lord Prior, any campaign of national economic renewal must be a truly national campaign that benefits all the people in all the regions of this country. Again, the White Paper puts a brave face on the issue of regional inequality, but it fails to address adequately the more important issue of personal inequality of income and opportunity. As noted already, successful national renewal, particularly in an era of remarkable technological innovation, will involve disruptive change. People whose lives are disrupted in this way should not be paying the price for the nation's renewal, and they should not be living on handouts either. As part of the reconstruction programme, there must be a comprehensive and supportive programme of training and retraining for decent, well-paid jobs.

In summary, the state of the UK economy requires that all government policies should be directed towards the long-term recovery of British competitiveness. There should not be a revival of the tired old argument about the role of the market and of the state. Of course the state can be inefficient, but as we in this country know only too well, markets and the private sector can be massively inefficient too. A programme of national renewal is not about creating a socialist utopia or a libertarian capitalist utopia, but reconstructing our market economy to achieve national goals. This White Paper could be a small and significant step in the right direction, but it could also do significant damage if we end up thinking that it represents all that needs to be done.

6.19 pm

Lord Howell of Guildford (Con): My Lords, I most strongly agree with those last remarks of the noble Lord, Lord Eatwell, on the need to bring benefits to all, not just to limited sections of society. Indeed, the White Paper contains many excellent proposals and ambitions, particularly the emphasis on research and innovation, design and the life sciences, and many other things.

Nevertheless, I confess that I started out with very limited enthusiasm for this kind of project. This is not just because industrial strategies have great difficulty keeping up with rapidly evolving markets and technologies, let alone political events. Past ones have usually disappointed, as my noble friend Lord Griffiths reminded us, and as the noble Lord, Lord Hennessy, reminded us in an earlier debate and no doubt will repeat in a few moments when he speaks. I know this personally from being a member of Neddy way back, on which I was very enthusiastic indeed. In the end it was all very disappointing; there was something missing. It is not just those sceptical past reasons, but this: for the reasons that the noble Lord, Lord Mandelson, touched on in his very telling and encouraging speech, and those touched on by my noble friend Lord Prior, I wonder whether the priorities set out in the White Paper are entirely the right ones for the revolutionary era we have entered, in which we face conditions completely different from anything that has gone before. History is not much of a guide to where we should turn.

Despite plenty of references in the White Paper to the digital age, artificial intelligence, the cyber revolution and so on, I still feel that in a way—perhaps this is unfair—it was drafted by people with a 20th century mindset. In the 21st century, successful industrial progress is part of a much wider constellation of forces than this document seems to recognise: the drive for change begins more than ever in the home and deep in social structures. The authors of the White Paper should have perhaps paid more attention to things such as my right honourable friend Sir Oliver Letwin's book *Hearts and Minds*, in which he emphasised, looking back on what was missing, the need to focus not just on the market economy but on the social market economy. Perhaps they should have looked at that before they drafted. It is the social bit and the more difficult to measure but fundamental bit that seems to have got left out of this kind document, which probably should have come not merely in the document, but first.

For a start, there is a central question of measuring productivity. Everyone is talking about low productivity. We just heard some remarks on it. All the economists seem to be convinced that it is the great issue. Yet everyone also knows that the old measures of productivity are far too narrow and do not tell an adequate productivity story. Nor, for that matter, does the Office for Budget Responsibility's spuriously scientific forecasts of where the growth of GDP will be in a year or two's time, when they capture only the market value of goods and services and ignore all other forms of output. I do not think that this will wash any more in modern economic conditions. For example, how do you measure or compare increased productivity—or, for that matter, GDP growth—in the creative arts, media, sport and entertainment, in nail bars or home delivery services, in more comfortable buses and quicker taxi services, faster book printing, aspects of education, health and social care, whether public or private, or infinitely quicker linkages between businesses and individuals? They do not come into any of the official statistics at all. The truth is, it cannot be done. The more we live in an overwhelmingly service economy, as we do, the harder it becomes to measure.

As to the list of priorities and challenges for more industrial success, the "people" section in the document should, of course, come first. By that one means not just people in industry, but everyone who makes daily life and society work. I agree that they are in the strategy document, but they are not at the top of the list where they should be. In an economy that is meant to work for all, the need is not just for priority for schools, well-paid teachers, plentiful technical and vocational courses and colleges, and strong universities, which are there in the strategy document, on which it is rather good. It also means taking account of the real determinants of economic progress that lie at its very foundations—within the home, the household, and in all the human impulses and incentives to share and co-operate, which are very strong in the whole community—and of social relations and attitudes in the surrounding environment and in the routine but essential dealings and requirements of daily and family life, on which everything else depends.

Are these not precisely the core areas that shape the national mood and determine the country's industrial

strength—or weakness—with industrial peace and partnership on the one hand or bad relations, non-cooperation, and inefficient and failed investment on the other? Are they not what decides whether an economy pulls together with a motivated workforce, or slows down to torpor and stagnation levels and falls apart? Yet these are just the considerations and measurements that, I am afraid, almost all economists for the last century, since the days of Marshall and before—with some brave exceptions—have completely ignored. Too many economists have taken a wrong turn and offer a flawed and implausibly narrow base on which to build an industrial strategy, as some of us have been arguing for the past 30 years.

The other priority condition for industrial success, which gets a fleeting mention at the beginning of the strategy but again ought to come near the very top, is the imperative need for a strong sense of fairness in society, and in economic and monetary systems that spread the proceeds of new wealth—not concentrate them—in a redistributive economy, not just one that statistically adds growth via GNP statistics. We need a radical overhaul of the monetary system to bring this about and bring the dignity and security of capital ownership to millions of households. If wages and benefits are just not adequate to provide security and reasonably stress-free living, and instead leave millions of households just not managing, you can say goodbye to industrial dynamism and competitive growth.

Next, I am sorry that the strategy authors still seem unable to resist the old error of picking some winners. Driverless cars may or may not be the next big thing, even though we are told they will not work in cities, in which most people live. In truth, we have no idea at all which ways new technology and innovation will take us, nor which constantly evolving and fluidised needs and wants will emerge. Most predictions on this front will almost certainly be wrong and very expensive. Manufacturing industries are now constantly transforming and are increasingly part of complex producer networks, spanning the globe and blurring sector classifications, as the noble Lord, Lord Mandelson, reminded us. It is simply not given to humans, and certainly not to government officials, to know how these systems and subsystems will work out.

While we need energy to be low carbon as far as possible, we also need it to be cheap, which it is not in this economy—it is some of the most expensive in Europe—and reliable, which it is in danger of not becoming, as well as making warm homes affordable. Without that, industrial growth will be hobbled. The sections in the White Paper on energy and climate seem to have forgotten about that basic requirement.

Perhaps above all we need from the top a narrative and a national purpose to motivate everybody, whether in the home or at work—especially in these confused and very dangerous times. Her Majesty the Queen spoke at Christmas about a vibrant Commonwealth. It may just be that, in a world of networks and algorithms driving everything, the Commonwealth network helps to give us new purpose and direction. Industry and competition will not thrive without a strong sense of where we are heading in the entirely new international conditions, both economic and political, which now prevail.

[LORD HOWELL OF GUILDFORD]

Finally, while efficient markets are of course important, if the focus on free markets and “growth” leads not just to competition and satisfying the consumer but to immense capital concentrations, massive global monopolies and disequilibrium throughout the planet, as looks suspiciously like happening right now, it is not the right strategy. We need as never before to distinguish between the quantity and the quality of production, growth and productivity. An unhealthy, brittle, unbalanced and divided society will in the end produce none of these.

6.30 pm

Lord Bhattacharyya (Lab): My Lords, I declare my interest as chairman of WMG at the University of Warwick, as set out in the *Register of Lords' Interests*. It is fitting that the first debate of the year is on the industrial strategy; 2018 is, after all, the Government's Year of Engineering. Being an engineer, I shall concentrate just on the engineering sector of industry.

The industrial strategy is most welcome. I am sure that the challenge fund, increased tax credits and the national retraining scheme will make a real difference in the short term. The five foundations are broadly right; the grand challenges are all important. But however welcome, an industrial strategy needs more than good immediate announcements and exciting challenges.

In our previous debate on the industrial strategy, the noble Lord, Lord Hennessy, pointed out that this is the eighth attempt at an industrial strategy since the war—I think that somebody else said that it was the ninth. The sheer number of strategies shows the disconnect between them and demonstrates the core problem of Britain's approach to industrial policy. We focus on the short term and not the long view. We do not review success, revise targets or refine our approach. We just rip it up and start again from scratch a few years later.

The consequences can be disastrous. We have had many White Papers on skills—just to give one example—but there has been no consistency in implementation and no stability in institutions. We have gone from levy to grant to levy, from training boards to skills councils and back. These changes have often been confusing and chaotic. It is no surprise then that we have a near-permanent skills crisis. With all the money that has been spent on it during the past 20 years, nothing has happened.

I have one big hope for this strategy: that it lasts longer than the others. A short-term industrial strategy can never succeed. You need time to implement it on the ground, time to bed in institutions and time to build partnerships, but we do not give a strategy much time before we decide that it is time for a change of plan. This is especially true for Ministers. We have already lost the noble Lord, Lord Prior, and I think that we nearly lost our Secretary of State, Greg Clark, between today's opening and closing speeches. I hope that he is still there.

Noble Lords: He is here.

Lord Bhattacharyya: Oh, hi.

The turnover of people is matched by changes of policy. For many years, everything was seen as interventionist. Even research and science budgets were reduced—it was not the job of government. I remember that the first thing done by the Blair Government was to put back the science budget because it was in a terrible state. However, the research institutions that worked with industry had closed, so we had to reinvent them. I hope that the next industrial strategy is an update and not a reboot.

Another reason to focus on implementation is to keep our focus on delivery and then fixing where we fall short. For example, we have one of the lowest rates for business R&D, both within firms and in collaborative research. The Government have as a target for total R&D spending 2.4% of GDP in 10 years. It is a good target, and we want to hit it, but in 2004, the target was 2.5% of GDP, also in 10 years. Fourteen years later, total R&D spending as a share of GDP is largely unchanged, and the target is still 10 years away.

Is it a total policy failure? Not at all. Some sectors have made outstanding progress. Automotive businesses in this country disappeared completely. Today, automotive businesses have more than trebled R&D spend in a decade, from £1 billion to £3 billion a year. As a result, exports have doubled in a decade. Ninety per cent of that growth happened before Brexit devalued the pound. Imagine what would have happened if we had stayed in Europe. The challenge is replicating that success. It is the result of years of hard graft. When the great recession hit, the automotive sector struggled to get the help it needed to survive. As I said, “industrial strategy” and “intervention” had been anathema in government, so car makers chose to manufacture one. We started with a sector-wide Automotive Council so that the industry spoke with a single voice. We used this to secure support from government. The greatest success in BEIS today is what is happening with the Automotive Council, with all the industries together working with government. That led to collaborative investment in lightweight materials, low-carbon and connected and autonomous vehicles, all ideas which would completely change transport.

We built collaborative research centres to work on industry priorities, from battery technology and improving welding to data security. Big data analytics are completely changing the way in which cars are designed. Crucially, we persuaded global R&D leaders such as my friend, Ratan Tata, to invest in Britain. That put us in the right position to make a case for further investment, with money from government and industry together. This is where the regional policy comes into being. Our new mayor, Andy Street, and the local authorities—some are Labour, some are Conservative—have come together and we are now in a position to create 30,000 to 40,000 employment opportunities in the Midlands sub-region which had completely disappeared. That was one reason why the £80 million Faraday Institution for battery research was announced by the Secretary of State in October. There is also the business-funded, £150 million National Automotive Innovation Centre at Warwick, which will have a budget of about £1 billion within the next five years. On top of that, because there has been a big skills problem, we decided jointly

with the LEP to fund a big apprenticeship centre, which will have 1,000 higher apprentices by the end of this decade.

Unless we have all such bodies joined up and the local authorities and regions working together, nothing will happen. It is the firm foundation that allows us to raise our ambitions. The challenge now is to encourage more business R&D in other sectors and increase our innovation intensity. We can use one successful sector to lead the way for others. In Britain, people used to say, “Oh, well, the automotive industry has disappeared. We should not be a manufacturing nation. We should only be a service sector; we should only be in the financial sector”. Let us now imagine it: the sector that died and lost tens of thousands of people in employment has come back within a matter of eight years. We have the skills in this country; we have the R&D base in this country; we have just to get our act together and it happens.

I shall give another example. The pressure on the automotive sector for lightweight vehicles has led to a challenge for our steel and materials industry. The noble Lord, Lord Prior, knows all about this. We need to reduce vehicle mass by 15% percent; if not, the Chinese will kill us. As a result of low-carbon vehicle targets, the UK steel sector needs net shape facilities. In this sector now, Port Talbot has been rescued without very much money from government, but with government support, including government moral support and, again, making the regions come together, with the Welsh authorities, with a LEP there and various other authorities coming together to save Port Talbot. I am pretty sure that in five years it will be one of the best steel plants in Europe.

We can do this because success breeds success. If we do not do research in that area we will again fall behind the Chinese and the Germans—even the Germans have struggled with the Chinese—and again have a sector where the raw materials will be coming from other countries. This is what this strategy is all about and it leads me to a crucial point. A strategy for the long term does not exist in a vacuum. Our industrial strategy needs to inform the rest of government policy. Our steel industry needs to invest in areas where the car industry has a market for it. All these sectors are not so independent that each can have its own sectoral industrial policy.

I give another example. We need to be very careful when we change behaviour with tax incentives. The Treasury encouraged Britain to buy diesel cars because they have the lowest emissions. Now British cars have the lowest emission tariffs. So what does the Treasury do? It raises duties and overnight the market collapses, because of the perception that it is raising duties because eventually the Government will ban diesel cars. This is another enormous waste, when one part does not know what the other part is doing. I hope that the Government understand that the right hand needs to know what the left hand is doing. It is no use having the integrated strategy that the noble Lord, Lord Heseltine, has mentioned many times if, within the Government, there is no integration. So I welcome this strategy. It is not perfect—nothing is—but it is a very good start and we should give it time in order to make it work.

6.42 pm

Lord Wrigglesworth (LD): My Lords, I am very pleased to follow the noble Lord, Lord Bhattacharyya. I very much agree with what he said, and I very much welcome this debate and the publication of the Government’s White Paper. It deserves support right across the spectrum, and that is what I want to talk about. Before I came into this place, I spent quite a lot of years as the chairman of one of our biggest ports and more than 20 years building industrial estates, largely in the north of England. That experience shows—and many other industries demonstrate the same thing—that you need long-term investment, long-term decision-making and certainty. You will not always be able to get all of those things, but the more you can get, the more successful you can be. I hope that this White Paper will bring certainty to people in all the sectors that have been mentioned.

There have been some excellent proposals for strengthening the White Paper during the course of this debate, not least the suggestion of strengthening the languages sector, and others as well. What has bedevilled our industrial strategy and a large section of our economic policy over the past 50 years and more has been the ideological divide that has split the political community and divided the community in the country. I do not share the view of the noble Lord, Lord Heseltine, and one or two others, that that divide has gone away. Indeed, if Greg Clark has been reappointed as Secretary of State I am absolutely delighted because I think he has been a very good Secretary of State. I have to say that he canvassed for me when he was an SDP member and got me returned to Parliament in 1983, so I have a certain prejudice in his favour. This represents what I believe is a consensus view right across the spectrum among most people.

Looking back over the period, the noble Lord, Lord Hennessy, estimated how many industrial strategies there had been. It was one of my predecessors as the Member for Stockton, Harold Macmillan, who first introduced Neddy, the NEDC, and the little Neddies that followed. We have had a succession of industrial strategies and attempts to develop our industry and economy over all those years, and they have been held up, stopped and done damage, in some instances, because there has not been a consensus behind them. I fear that that consensus is still not there. People forget that the Secretary of State’s predecessor, Mr Sajid Javid, took a very different view on these matters from that of Greg Clark. He started rolling back with great verve all that Vince Cable had done in the previous five years. Vince Cable was the longest serving Secretary of State since Peter Thorneycroft in the 1950s, but Sajid Javid wanted to reject any idea of “picking winners”. He was using all the old verbiage of the past that has been referred to by other speakers in the debate, other noble Lords. It just demonstrates that those ideological views that undermine a White Paper such as this are still around.

We are confronted with the possibility of a Labour Party, now led by a Marxist, returning to nationalisation and causing, again, the polarisation that, in my view, caused such damage to our industrial policy in the 1950s, 1960s and 1970s and, indeed, to some crucial industries, such as the steel industry, pitched backwards

[LORD WRIGGLESWORTH]

and forwards between the public sector and the private sector. We must not go back to that again. If we are to get certainty and long-term planning, there needs to be a political consensus. My appeal is that those in this Chamber and elsewhere in politics seek to bring that consensus behind the White Paper so that we can make a success of it. That also applies—this is something I have spent most of my life involved in—to that devolvement to the regions in which the noble Lord, Lord Heseltine, has played an enormous, very positive and successful role.

When I look at what has happened in the northern region during my time, 40 or 50 years ago we had the North of England Development Council, then we went on to the Northern Development Company, then we went on to the regional development agencies and now we have gone on to the LEPs. It has been change, change, change and division, division, division. That has not helped the development of that regional economy. We have a very good position on Teesside now, again helped by the noble Lord, Lord Heseltine, and all the work that the department, helped by him, has done. We now have a combined authority there, a Conservative mayor on Teesside, co-operating closely with Labour local authorities and really making a difference.

However, up the road from there, on Tyneside, we have complete chaos, where the Labour local authorities cannot agree with one another what should happen. North of the river, they are talking about setting up a combined authority, but all the authorities on the south side of the river want nothing to do with it. The port of which I was chairman, on Tyneside, has interests on both sides of the river: an international passenger terminal and a cruise terminal on one side of the river and lots of other facilities and big docks on the other side. One side would be in a combined authority, the other will be in different authorities on the other side of the river. It is going to make it much more difficult for that organisation—a big and important economic unit in the north-east—to function effectively and efficiently.

Yes, we want what the White Paper is saying—to devolve power down—and, yes, it has been successful in many areas, as the noble Lord said, but there is much further to go, and we will go further only if we can bring about that political consensus, at both local and national level, to give us the certainty in the long term that the success of this policy can bring. I hope that everything will be done by Members in this Chamber, the other Chamber and elsewhere in politics to try to unite people around this policy. It has many useful assets. The balance between the public sector and the private sector is laid out extremely well. The noble Lord, Lord Prior, put as powerful a case for an industrial strategy as you could find. There is a tremendous amount of evidence and of well-defined activity in the White Paper, which, if it is carried out, can be of enormous benefit to the country, but we need the support of all parties and all people to make a success of it.

6.50 pm

Lord Hennessy of Nympsfield (CB): My Lords, why has it proved so tough for successive Governments to shape a successful industrial strategy that inspires,

bites and, above all, endures? It is as if the framers of such strategies have been so many sculptors gazing at a rough-hewn piece of marble and discerning in it the outline of a beautifully cut statue, there for the crafting, but the resulting piece of work never quite fulfils the hopes of those who created it.

However, it is a fine and, indeed, noble ambition. As other noble Lords have reminded me, the White Paper before us is the eighth attempt at achieving it since the Second World War. One of the great treats of the debate has been hearing the grandfathers of previous ones explaining what they did, and why and how they did it. I remember as a young journalist on the *Times* following the political career of the noble Lord, Lord Heseltine, from department to department and noticing that he created an industrial strategy in every department he touched, whether or not it was the policy of the Cabinet to have one in the first place. I watched with great admiration how he did that. The impulse has been within him, I suspect, since school. I would not know; maybe he will tell us.

All the strategies since the war, in their different ways, have involved the best and the brightest in the ministerial suites and policy divisions of Whitehall, as well as those called to the colours from the worlds of industry, commerce, education, science and technology, to help find the multiple and interlocking elements that might lift our economy on to a higher trajectory of performance and growth. Surely, amid the mixture of activities in factory, lab, school and university over the past 71 years since the Attlee Government set up the Central Economic Planning Staff, somehow we could have found the elixir needed to reach, for example, the 4% annual growth rate to which both mainstream political parties pledged themselves—how we would settle for that today—in the early days of NEDO in the early 1960s. We never achieved it, apart from the odd short-lived spurt.

The key ingredients of the problem, which have been well rehearsed by your Lordships today, have been known and analysed, from the Attlee/Morrison/Cripps model of the late 1940s right through to today's White Paper. They have been poked at and prodded in all the strategies in between as well. What are these deeply ingrained and highly resistant problems that have held back both our society and our economy? There have been three of them and they are interlocked. Several noble Lords have covered the terrain already.

The first is the shortfall in technical skills compared to our needs at home and our competitors abroad. This has been recognised as a UK problem for at least 150 years. The parliamentary commission on endowed schools was hugely impressed by the technical high schools of Prussia. Reporting in 1868, it said that,

“we are bound to add that our evidence appears to show that our industrial classes have not even that basis of sound general education on which alone technical education can rest ... and unless we remedy this want, we shall gradually but surely find that our undeniable superiority in wealth and perhaps in energy will not save us from decline”.

What extraordinary prescience.

I cherish the memory of Rab Butler, a great and decent man, but the single greatest missed opportunity was probably the remarkable Education Act 1944, of which I am very fond—it gave me a superb grammar

school education—and many others would not be in this Chamber without it. But in it was the provision that, above all, might have avoided the need for this White Paper and this debate. It was for technical education to take off but the technical schools never flourished. They never taught more than 2% of the age group in the post-war years. As for the county colleges, which were going to be set up for FE training—sandwich courses, as we now call them: part-time day release—they were never set up. There within the provisions of the Education Act 1944 was the key remedy on the skills and technical front, but it was not to be.

The second ingrained problem is the difficulty we so often find in industrialising our top-flight science and research. One might call it the “thought in Britain but not made in Britain” syndrome.

The third factor is the low productivity that results from the other two, which leaves us so often trailing in the wake of the world’s leading industrial nations. According to the White Paper, we have but 12 years to break these malign talismans of economic underperformance. As the White Paper says in its concluding section, “Britain and the World”:

“Our aim is that by 2030 we will have transformed productivity and earning power across the UK to become the world’s most innovative economy and the best place to start and grow a business, with upgraded infrastructure and prosperous communities across the country”.

Amen to that shining set of aspirations. I think it is the only one that we can all sign up to, whatever our political or non-political affiliations, our economic philosophy or our leaver or remainer instincts. I was delighted when the noble Lord, Lord Mandelson, indicated that there was, with luck, a consensus waiting across the political Benches on this very question, if on no others.

It is a rarity in our current political landscape to find the possibility of genuine consensus on anything. Our Brexit-infected political ecology has left us, as a very wise friend of mine puts it, as a people seemingly on permanent grudge watch—always looking for things to fall out over rather than to fall in about. This White Paper could be the great shining exception. But signing up to an aspiration is one thing, dancing the multiple steps needed to achieve it quite another. The proposed industrial strategy council, the creation of which I warmly applaud, will need to keep a close watch on all the moving parts of the strategy and the ills it is designed to combat, especially those three horsemen of economic underperformance on which I have concentrated.

I hope that this White Paper might be seen by posterity as one of the master policy documents, such as the Beveridge report on welfare in 1942 or the Robbins report on higher education in 1963, but it has to shine—quickly—as the charter of a great shared national endeavour, because that is what we need it to be, with a dash of real inspiration that reaches into boardroom and production line, trade union and trade association, classroom and lab alike. In so many ways it is a question of spirit, optimism and, above all, tenacity. How we need it to work. The margins within which we are going to operate as a people, a society and an economy are tight and tightening, as the noble

Lord, Lord Heseltine, so eloquently warned us earlier. Much, though not all, of the remedy lies in our own hands, in our hearts and our minds, and in our skills and our ingenuity. It is time for all of us to rise to the level of events and finally find that elusive statue lurking in the marble.

6.58 pm

Lord Flight (Con): My Lords, I very much agreed with what the noble Lords, Lord Griffiths and Lord Bhattacharyya, had to say. I had reservations that yet again we were going to see fine words but whether they would turn out to deliver the goods was another matter, but I am comfortable to support such a national effort, as has just been referred to. It is a much better framework than the previous frameworks. At a tangent, I also point to the productivity leadership group convened by Sir Charlie Mayfield, chairman of John Lewis, to provide help and advice on implementing productivity improvement, particularly in the retail sector, which I will come to. That sort of organisation is healthy and sometimes has the ability to achieve things which Governments cannot achieve.

Of the government activities, I greatly welcome the transformation sector deal for life sciences, with 25 organisations taking over an important part of our economy, as the noble Lord, Lord Kakkar, pointed out. I too make the observation that it was a tragedy that the technical schools envisaged in the Butler Act never really flourished but I would point out their brave, continuing supporter in the form of my noble friend Lord Baker, who has now put in university technical colleges, which in the main are doing extremely well in producing the skills that we need and do not necessarily have.

This debate, to my mind, is essentially about our productivity and I would like to focus on five practical issues which, in aggregate, point us to why our productivity is probably understated in comparison with other economies. The first point is that if you subsidise pay, which is what tax credits do, you are bound to affect productivity. If labour is cheap and subsidised it encourages overemployment and the use of labour, rather than capital investment. That is the very opposite of France, where no firm wants to take on more labour than it can possibly avoid doing because it is so difficult to get rid of it; in the UK, we have had the reverse. Socially, that was a good thing following the financial crisis but we have gone beyond a time when it is positive. I note that the noble Lord, Lord Darling, has effectively made the same comment.

The second point has been touched on by a number of noble Lords today but not, I think, made specifically: one of our real problems has been an inadequate savings rate for 50 years and more. In the Keynesian sense, savings and investment must equal each other and inadequate saving has underpinned inadequate investment, very much in the way that has been referred to.

My third point is about the rather interesting study by Mark Price—now my noble friend Lord Price—on the importance of happiness in work and its effect on productivity and output. His measurements showed that the most satisfactory sectors were those of fast-moving consumer goods, hospitality and entertainment, while the least happy sectors were construction, transport,

[LORD FLIGHT]

very much the public sector, engineering and architecture. The happiest people were the group aged 65-plus and the least happy those aged 19 to 24. It was interesting to read that John Lewis was established very much on the basis of that being important to the creation of an efficient business, and on the huge importance of employee ownership. I have always believed in that very much: when I built the Guinness Flight business, it was based on employee ownership.

John Lewis is to be a leader in addressing how to improve productivity in the retail sector—one of the sectors that has made the figures look so disappointing. There are over 3 million people employed in the retail sector. Where we have been in advance of other economies is in moving to online, which now represents over 20% of retail sales. Some extremely useful work has been done here by Gary Channon, the CEO of the fund managers Phoenix Asset Management. What has really been happening is that when we go to shops, if we buy things and take them home, that taking home is not in any way included in GDP figures. However, when you buy online, a whole range of activities—storing, packing up, delivering to the house in question—add considerable costs.

The figures look something like this: there should have been a reduction of towards 1 million people in traditional retailing to match the more than 20% that has gone to online delivery but it has not happened. However, online has created some 300,000 jobs and the combination of the two has, in the short term, hit productivity pretty seriously. That is why it is extremely important that our leading retailer, the John Lewis business, is focusing on this and making its own changes. A McKinsey report suggests that there could be 900,000 fewer jobs in retailing by 2020 and sees 53% of retail sales having scope for automation. John Lewis has also invested £500 million in its Magna Park national distribution centre. It has taken on 500 apprentices this year and looks to take a huge quantity of them by 2020. If you like, it is the lead business in how to improve and sort out the productivity of retailing in the greatly changing climate of having much more online business.

I also point, in parallel, to the financial services sector. I declare my interest in terms of my ongoing involvements in that sector. Since the credit crunch 10 years ago output has been stagnant and as a result the sector, which has been the biggest industry in the country, has fallen from having 9% of GDP to 7%. You would have thought that would result in a significant reduction in the number of people employed in the sector but not at all; rather, if anything, the numbers have increased with the enormous volume of new regulation and compliance that the industry has to face. Quite a lot of this, such as MiFID II, strikes me as contributing little or nothing and as extremely unhelpful to certain sectors, particularly private client fund management. Anyway, the net result of all that has been a big drop in financial services' profitability.

The practical point I am making is that on a five-year view of these specific little areas, which are capable of being addressed relatively quickly, more recovery in productivity is likely to come from sorting out such areas than the big picture of the Government's plan.

But to go back to the beginning, they have my support. I had concerns initially that the plan reminded me of the Wilson Government's national plan, but that is unfair for the reasons put forward by a number of excellent speakers today.

This territory needs cross-party national commitment. There is a lot going on in this country which is extremely good news, such as leading in tech sectors and the huge volume of younger people who are entrepreneurial and starting new businesses. But, for the reasons that my noble friend Lord Prior pointed out, it is absolutely essential that we improve our productivity and living standards if we want an open, democratic system to continue.

7.09 pm

Lord Bird (CB): My Lords, I am very happy to be talking about industrial strategy, which is kind of strange. I am known as Mr Homeless or the Poverty Man—the “Buddy, can you spare me a dime?” sort of chap—so your Lordships may not think I would be interested in industrial strategy. However, I am interested in it because I am interested in productivity and in all the things that make possible a generosity of spirit and give us the opportunity to intervene in the lives of people in need and to help prevent those people who may fall into need from doing so.

I am not in any way looking on this as a slight, but it is interesting that there is nobody from the Church of England here. There are no right reverend Prelates in today. Is it the Bishops' day off?

Noble Lords: They were here earlier.

Lord Bird: There is nobody from the Church on the speakers list. I make that point because the Church, or religion, is the backbone where generosity comes from. Most of us learn about generosity through school, religion or the message of Christ. But if there was no industrial strategy, if there were no people going to work and earning money, then we would have no opportunity at all to be generous to each other. We would have absolutely nothing in the kitty.

I want to make a plea for social enterprise, which is not mentioned at all in this industrial strategy. I have to declare an interest in that I started one 26 years ago called the *Big Issue*, which was all based on the principle of getting people to work and giving them a hand up, not a handout. When I was asked about the nature of the work I was doing, I said it was a business response to a social crisis and was not simply extending another handout. We built the business among the most troubled, harmed and self-harming members of the community. We built a relatively tidy business out of that: we do not make a lot of money, and what comes in goes out, but it is a social business. It has spread all over the world: you cannot go to many cities that have not taken up the model that the *Big Issue* created. Wherever there is the problem of people who are hard up, we give them the opportunity of trading and of earning some honest money so that they do not have to do anything dishonest.

Social enterprise is the area that I started in and have worked in over the last 26 years. About 11 years ago we invented something called Big Issue Invest, which is a prevention mechanism that tries to work

with people to stop them falling into crime and wrongdoing. We have created a number of social enterprises by investing. For example, when a local hospital in Salford wanted to privatise a sector, and the managers took over the business, we put money in and bought nurseries for them. They made all sorts of clever innovations, such as putting very young people with very old people. Big Issue Invest has invested in 300 social businesses. I want people to buy into the idea that, even though we are only about 2% of the activity, if the Government were to get behind social enterprises, put an enormous amount of effort in and take us from a niche into the mainstream, that would do all sorts of wonderful things. For instance, we work largely in areas of deprivation and need, and it would help to transform these areas, because it involves the people themselves in their problems. It is not something that simply comes down from the top but something that grows up from the community.

However, the real problem for me when we talk about industrial strategy is that I am working in the areas where the laws of unintended consequences apply. For instance, the Thatcher Government removed all the subsidies for all of these industries, most of which, with the exception of the car industry and parts of the steel industry, had never made a profit in the 20th century and had been subsidised since the First World War. When they went, those jobs were not replaced with the kind of skilled work that would take a lot of people and move them forward, skilling them up instead of having them rely on social security. Many ended up doing that for generations, with the sluice gates opening for social security so that you could take in 11,000 people in Sunderland's job exchange on the Monday, when on the previous Friday there had been only about 55. You get those kind of weird distortions.

Social enterprise—the work we do—is about going into those areas and trying to make up for the deficit of thinking, of strategy and of government involvement. I know that there have been some really top-notch, Rolls-Royce innovations. We are very good in Britain at producing pilots and wonderful little inventions in particular parts of the country, but we are not very good at making a whole strategy. We have to grow up a bit. Every time we mention industrial strategy, we talk about Germany, which is brilliant, but we have to be truthful and ask what the Germans do, in a big way, that we have never done. The Government lead in social and business innovation. All the big companies that made it possible for Germany to run the First World War survived, and carried on even after the Second World War. All the big innovations were made by government under Bismarck at the end of the 19th century and they lived on.

Why do we not accept that government should be one of the most brilliant means of investing in and creating new industries? That is what they do. Go to California, talk to the people in Silicon Valley and ask them where they were 20 or 30 years ago when the innovations that created their businesses were being invented by the military and in our universities with public money. When are we going to start getting real

and accept the fact that most of the big changes that have taken place in the world and have created new industries have been led by the use of public money?

7.19 pm

Lord Cavendish of Furness (Con): My Lords, what a pleasure to follow the noble Lord, Lord Bird, whose own generosity of spirit has borne fruit wonderfully.

I now see that I am not alone in having had a sinking heart when talk of a new industrial strategy first entered the realm of public discussion. “Here we go again,” I thought, “another exercise in picking winners, shielding inefficient business and offering grand promises to those who prosper least in our society”. I was wrong, or at least I am persuaded that my cynicism was misplaced. I heartily congratulate the Government on their industrial strategy White Paper, and I thank with equal enthusiasm my noble friend Lord Henley on his excellent speech that opened this important debate. Under consideration is a hugely ambitious set of proposals. I asked myself if perhaps it was too ambitious and indeed unrealistic in its scope. On reflection, I concluded that past failures by Governments seeking to improve economic performance stemmed in part from too little ambition rather than too much, and from a narrowness of scope that resulted in flawed delivery.

I found the White Paper an exciting read, if not a page turner. It is unusually thoughtful and has an especially winning feature from my point of view: everyone can feel justified in feeling that their particular circumstance is being taken into account. We are invited, in effect, to participate in something intended to improve the lot of each one of us in every part of the UK. Although I always listen to my noble friend Lord Howell with the greatest respect, I take issue with his rather gloomy outlook here. Both the nation's children and its ageing population are discussed, as are town and country, while the devolved Administrations and large and small businesses all get a hearing. It is pleasing to read in a document about industrial strategy that the environment and the fascinating concept of “natural capital” find a place. It anticipates Britain's departure from the EU but it is not at the expense of anything else.

The comprehensive nature of this White Paper is really encouraging. I first got wind of the fact that thought and vision had found their way into a government White Paper when I read the debate in another place following the Statement on 27 November in vol. 632 of *Hansard*. It was delivered by Mr Greg Clark and I join other noble Lords in being extremely pleased that he remains in office. With very few exceptions, the Statement was well received in the other place and constructively debated. It is fair to say that the same could be said of the press coverage that followed the announcement, and I feel that the same has happened here in this debate. The House should be extremely grateful to the noble Lord, Lord Mandelson, for the even-handedness of his introduction and its tone, which was impressive as well as authoritative. I particularly hope we will come back to his anxiety that institutionally this country has great difficulty in thinking in the very long term—or what in business we would just call “the long term”—because that does great damage.

[LORD CAVENDISH OF FURNESS]

As a Conservative, it comes naturally to me to challenge any and all extensions of government interference in such areas of industry. Indeed, the White Paper commendably acknowledges that risks are attached to the Government's approach. There are risks, and one would need to be a great optimist to expect all these great ideas to materialise as planned. We should take to heart my noble friend Lord Heseltine's warnings in that respect. Broadly speaking, though, there has been a great deal of consultation leading up to the publication of the White Paper, and the very fact of continuing devolution suggests to me that the Government of the day need in reality to be an active participant in the nation's economic development. The Government's dominant role in providing such areas as health, welfare and education lead me to exactly the same conclusion.

If I understand it right, the paper suggests that the delivery of these proposals will rely heavily on partnership. I applaud that aspiration, with the proviso that the partnership has to be genuine and mechanisms will need to be in place—through, I suppose, the independent commission—to ensure that it does not become one-sided. One should never underestimate the capacity of Governments to bully when they feel they hold all the cards. I was especially pleased to read of the Government's intention to ensure that 60% of contracts for major projects will be awarded to the SME sector. Living as I do alongside very dominant tier 1 companies, I am very familiar with supply-chain promises that fail utterly to materialise in practice. I urge the Government to make a reality of this pledge and take seriously my noble friend Lord Maude's remarks about supply chains.

I do not think I have ever risen to speak in your Lordships' House unless I have felt that at least most of what I had to say stemmed from personal experience. When a debate of this nature is listed I try also to consult local friends and acquaintances engaged in entrepreneurial activity. Perhaps I should declare my own interests as listed in the register of Members' interests. In a word, after 10 years of international trading, my work has been in a highly varied family business based in Cumbria, with some 200 souls on the payroll.

The White Paper leaves me in no doubt that cities and areas of the UK that conform to modern best practice in terms of governance are and will be ahead in the queue to benefit from the proposals that we are discussing. It is not clear to me that the county that the Minister and I have the privilege of living in has quite got up to speed in this regard. I remember a senior civil servant telling me in exasperation, "Your trouble in Cumbria is that you are overgoverned and underled". Again and again the White Paper lays stress on the importance of local leadership if its proposals are to bear fruit. I hope we in Cumbria will take note of that and will be given time for amendment of life. I wonder whether the Minister has any thoughts not just on our lovely county but on other places that need rather a different approach if the people who live there can expect to benefit from the really exciting prospects that the White Paper lays before us. It is, in essence, the same question that my noble friend Lord Heseltine asked the Minister.

While I understand that the Government wish to demonstrate ownership of this thoughtful White Paper, I confess to being a little surprised by how little the private sector is involved financially. In a recent debate I drew attention to a CapX article by Mr George Trefgarne suggesting that infrastructure projects could be financed privately through the means of what in Victorian times were called project bonds. A faintly related idea subsequently surfaced in the patient capital review, and tucked away in the White Paper is mention of the possibility of pension funds being enabled to enjoy slightly greater investment flexibility. Huge sums of money are stashed away in this country—or so I am told—looking for a home, a point made by my noble friend Lord Griffiths. I am at a loss to understand the apparent reluctance of the Government to encourage private sector participation in infrastructure projects. I wonder again if the Minister might be in a position to comment on that.

I turn to a paragraph in the paper that suggests that UK taxation levels are "competitive". I am sure that statement, whatever it is meant to mean, is capable of being defended. I merely make the point that even if headline rates appear reasonable, taxation is still very high overall, and damagingly so. There may be good reasons why relatively high levels of taxation exist as part of repairing the country's finances. However, as I have said before in your Lordships' House, burdensome regulation, high taxation and an enduring perception that the Government and their agencies are hostile combine to be a serious disincentive to investment, especially regarding the impact on the SME sector. It is because of these disincentives—I say this with great sadness—that my own family business has recently deferred, perhaps indefinitely, what amounts to a very substantial investment for a small company. It is very difficult to measure what I would describe as public sector hostility. I have encountered it with planning authorities, a wide range of regulators, quangos and, on occasion, even the police. In recent months, I may have detected some improvement in public sector culture. Indeed, I am much encouraged by the collaborative tone of the White Paper, which suggests that maybe some lessons have been learned.

A close neighbour of mine in Cumbria has built up a small business in his backyard that manufactures subsea acoustic navigational equipment for military customers and search-and-rescue divers. This splendid pioneering young man acknowledges gratefully the help that he receives, especially R&D incentives and the measures that protect his intellectual property. However, he writes:

"UK manufacturers are bombarded by European compliance legislation that is applied with very little thought to type or quantity produced. Some of this legislation such as CE marking (Conformité Européenne) and WEEE (Waste Electrical and Electronic Equipment) compliance are extremely difficult and onerous to achieve and are very effectively pricing us out of the market. In theory, if we were asked to design and manufacture just one small batch of product it would need to conform to all the same red tape put in place for mass manufacturers".

My talented friend suffers also from tier 1 neighbours who breed huge salary competition, creating skills vacuums for smaller enterprises. What he has yet to encounter, as I have, is the grotesque practice by some

big companies which lobby EU officials to add burdens to compliance and thus disadvantage their agile, small competitors.

These serious imperfections in the current business climate facing SMEs need to be addressed, and I hope that they will be, but that is not to suggest that they diminish in any way the opportunities outlined in the visionary White Paper. My hope is that the strategy will take account of inherited flaws in the present system.

The White Paper touches everybody and seeks to better the lives of all of us. It captures the new mood that free trade is a moral as well as an economic imperative. It equips our country with the means to prosper in a global market, free from resort to protectionism. It speaks of innovation and advanced technology not in terms of profit and balance sheets alone; it speaks with rather unusual warmth and humanity of how we and those who follow us might live happier, more fulfilled and contented lives.

7.31 pm

Viscount Hanworth (Lab): My Lords, the Government's industrial strategy cannot be adequately appraised in the short time available to an individual speaker. The Green Paper of January 2017 raised the matters of concern. The White Paper of November 2017 sets forth the Government's intentions.

The White Paper ignores many of the issues raised by the Green Paper. There is, however, a surprising element in it that I can only describe as political cross-dressing. Lip service is now being paid to some of the critiques and proposals that have long been part of the message and agenda of the Labour Party. There is now dawning recognition that many of the central tenets of an enduring Conservative ideology, such as the nostrums of free enterprise and privatisation, have run their course. These are no longer fresh ideas; nowadays, they are associated with some of the worst dysfunctions of our economy.

A brief mention is made in the Green Paper of the failure of the industrial interventions of previous Governments. We may recall that in the 1960s and 1970s, and even thereafter, these interventions were mainly in support of troubled and senescent industries. The industrial policies pursued by our competitors were aimed primarily at supporting growing industries. In consequence of their investment in newer technologies and manufacturing equipment and with the advantage of cheaper labour, these industries were able to outcompete our comparable industries.

A reaction of Margaret Thatcher and of Keith Joseph, who was her Secretary of State for Industry, to the failed industrial policies of the 1960s and 1970s was to declare that lame-duck industries should no longer be supported by government but should be allowed to fail. The Conservative Party developed an aversion to industrial intervention that has endured from that time to the present, as have many of its other attitudes towards industry that arose in that era.

The policy of privatisation and the allied failure to use government procurement to support our native industries are both parts of Thatcher's enduring legacy. An object lesson has been provided by our electricity supply industry, which passed into private ownership

at a time when the French nationalised electricity industry was investing heavily in nuclear power generation. When the electricity industry passed into private ownership, which has become preponderantly foreign ownership, the building of large power stations—whether powered by nuclear or by fossil fuels—ceased, as did the demand for the generating equipment.

Instead, the newly privatised industry resorted to building combined-cycle gas turbine power plants for which the equipment was supplied by foreign companies. The leading British engineering firms that had supplied steam turbines and generators to the erstwhile Central Electricity Generating Board fell into decline. The gas turbines that power the combined-cycle plants are aero-engine derivatives. Thus, it might have been expected that the two branches of the British turbine industry would combine to exploit the opportunities for equipping the new CCGT power stations.

It would have required an initiative from central government to make this happen, but none was forthcoming. The electricity industry is now in want of major investments to meet the demands of decarbonisation and of electrified transport. These investments will not be forthcoming from private industry. However, it seems that the Government persist in thinking that they can and ought to be financed by private capital. Moreover, the Government have failed adequately to support our native nuclear industry, which would be well placed to capture an international market in small modular nuclear reactors for use in generating electricity.

Another free-market principle of the Conservative Party is that Governments should not interfere, via the operations of the central bank, in determining our rate of exchange with foreign currencies. This nostrum arose in consequence of the experience of our brief participation in the European exchange rate mechanism in 1992. The ERM was a prelude to the establishment of the euro currency. Britain joined the ERM with an overvalued currency at a rate that it was unable to sustain, despite the expenditure of a large proportion of its foreign currency reserves. An overvalued currency, which has made exporting our industrial products difficult and unprofitable, has been one of the prime causes of the failure of our industries.

Recently, the principle of non-intervention was restated firmly in this House by the erstwhile Parliamentary Secretary to the Treasury—the noble Lord, Lord Young of Cookham—when the Government were being enjoined to take steps to reduce the value of the pound relative to other currencies. In consequence of their assessment of the prospects of Brexit, foreigners are no longer as keen to purchase the pound, which has recently fallen markedly in value. We now have a currency that is enabling parts of our much-diminished industrial sector to respond to some renewed export opportunities. It is ironic that this devaluation is a consequence of a policy that threatens to inflict major damage on the economy. The Brexit enterprise has served to divert the Government's attention away from the social and economic problems that are afflicting us so acutely. That is why many critics regard the Government's industrial strategy as a dead letter, although it has been proclaimed as a necessary adjunct of Brexit.

[VISCOUNT HANWORTH]

If we look back in time, we see that an overvalued currency which has inhibited our exports has been an affliction of British industry throughout the period since the Second World War. We emerged from the war with massive overseas debts and a currency that was still a principal medium of international trade and financial transactions. This international status ensured a high demand and high value for the pound, which was locked in place by the Bretton Woods system of international exchange.

Successive Governments felt compelled to maintain sterling's rate of exchange for fear of what was described as a run on the pound, which was expected to result from any hint of sterling's impending devaluation. The pound is no longer a major international currency. Nevertheless, the activities of our inflated financial sector have served to maintain its overvaluation. This crippling effect is barely recognised in any of the Government's documents.

The financial sector has been largely responsible for the so-called inward financial investment of which both the White Paper and the Green Paper boast. This inward investment, which has served to maintain the demand for the pound and heighten its value, would be better described as divestment, since it has entailed the sale of British companies to overseas enterprises and investors.

We have sold our public utilities, including our water and electricity industries, our sea and air ports. We have placed the running of our rail network in the hands of foreign operators, which are typically nationalised industries. We are being charged grossly for the use of what ought to be our native facilities. This is bad enough, but the divestment has also made large inroads into our manufacturing industries, including our automotive and aviation industries. Our pharmaceuticals industry has narrowly avoided falling into the hands of overseas predators. We have recently divested ourselves of a key component of our electronics industry, which is the ARM chip manufacturer. I could greatly expand this list.

Not only has the value of the pound been sustained by these sales, but fortunes have been made by the financial institutions that have mediated the sales. This has given an illusion of high productivity within the sector, which has been extolled in the Government's documents.

British companies that are in foreign ownership are not the most appropriate beneficiaries of a policy aimed at the regeneration of our industrial sector. They are liable to be treated by their foreign owners far less favourably than their home enterprises. These foreign-owned companies are liable to be the buffers that suffer the disinvestments and the redundancies that accompany the downturns of global economic activity. This so-called inward investment is liable to be considerably reduced in future, given that so little of British industry remains to be sold abroad.

I shall conclude this account with another aspersion against the financial sector, which has been recognised in the Green Paper but which has not been mentioned in the White Paper. This is the failure of our commercial banks to serve the needs of small enterprises. The enduring

scandal of the treatment by the Royal Bank of Scotland of its business clients is a stark reminder of this failure. The unwillingness of banks to lend to businesses, allied with the limited prospects for growth through the sale of their products abroad, has meant that, for many years, our industries have failed adequately to invest in modern technology and equipment. I cannot see much chance of these prospects improving. Therefore, I fear that nothing will come of the Government's industrial strategy.

7.40 pm

Lord Mountevans (CB): My Lords, notwithstanding the rather gloomy look on things by the noble Viscount, as an international shipping specialist for my entire career, and a former Lord Mayor of London, I see much to applaud in the industrial strategy. The proposals are wide-reaching, ambitious and full of purpose. There is no shortage of proposals, and the five foundations and four grand challenges under which they are grouped reflect the thoughts and concerns of many employers. Indeed these are matters which are of the utmost importance for us all.

That is why the strategy was welcomed in the City by firms that know how crucial automation, the physical and business environments, and infrastructure are to sustainable growth. Building on the point made by the noble Lord, Lord Heseltine, and taking up the point made by the noble Lord, Lord Prior, competitiveness should be central to this strategy, which, as the noble Lord, Lord Prior, said, is a work in progress.

It is true that the strategy has little to say on two key sectors. If we, as a nation, are to play as important a role in the 21st century as we did in the 20th century, we need also to recognise and maximise our existing competitive advantages, such as the financial and professional services firms that already employ 2.2 million people around the UK—two-thirds of them outside London. This sector is surely a vital ingredient in the future success of the industrial strategy and of the nation as a key facilitator of business.

While I welcomed the Government's recognition in their industrial strategy Green Paper of the UK's position as,

“a world leader in financial services”,

I was disappointed to see that the White Paper makes scant mention of the financial and professional services sector. A report commissioned by the City of London Corporation, where my involvement is on the register, and produced by PwC on the total tax contribution of UK financial services showed that financial services alone contributed an estimated £72.1 billion to the Exchequer—the equivalent of 11% of all UK tax receipts in the year to March 2017. Furthermore, financial services provide crucial support to businesses across the UK through access to capital, underpinning the financing of a significant number of British industries. The sector also provides the country's largest trade surplus—a trade surplus greater than all other net exporting industries combined.

Across the UK, 21 towns and cities beyond London each have more than 10,000 people employed in the industry. Six cities have more than 30,000 people. These centres are aligned to the financial centres of

excellence programme, promoted by the Government and launched by the former UKTI in 2015-16 with the support of TheCityUK. It is vital that in order to encourage these centres to grow and fulfil their role in supporting and enabling the UK economy, there is the right support for this vital and facilitating industry.

This is an industry where Britain is number one in the world, but our world—and, of course, European—leadership in this sector cannot be taken for granted. We face increasing international competition. TheCityUK, in partnership with PwC, has already set out its plans for the industry and a road map to implement them. The report looks at themes such as building regional financial centres and the growth of digitalisation. It estimates that if its vision for a transformed industry were to be realised, the economic benefit to the UK could be as high as £43 billion, with 70% of this growth taking place outside London.

During my time as Lord Mayor of the City of London, I witnessed first hand the efforts made to ensure that the UK remains a key destination for trade in financial services and a centre for innovation in products such as Fintech and green finance. However—here I nod to the ongoing Brexit negotiations—if the Government intend to attract new investment into the sector, as well as to retain and grow existing investment, increase financial services exports and promote job creation, clarity must be provided on three issues: transition, trade and talent. As TheCityUK recommended recently, the single most important thing is collaboration between industry, government and regulators, likely to be overseen by the Treasury, possibly as one of the sector deals floated in the industrial strategy, but definitely arranged to maximise the industry's contribution to national prosperity.

The second industry which I suggest deserves a place in this strategy is maritime—a subject which your Lordships will be aware has occupied most of my professional life. I was privileged to be asked by the Government in 2015 to chair the *Maritime Growth Study*, which made a number of recommendations for keeping the UK maritime sector competitive. My involvements in maritime are on the register. This is another area where the UK is a world leader. The growth study highlighted our role as a one-stop maritime shop that exports worldwide and encourages inward investment.

The UK maritime sector is of strategic importance to the UK in two distinct ways. First, in its own right, it is a major economic contributor, with its net benefit to the country close to £40 billion and supporting just under 1 million jobs. Secondly, as an island nation, Britain transports 95% of its exports and imports by sea, making its maritime supply chain critical to its economic and social well-being. For both these reasons our maritime sector—again a key business and trade facilitator—will continue to underpin the future success of the country in a post-Brexit world in which global trading opportunities will never have been more important.

Under Maritime UK, which brings together the principal trade associations and other interests in this wide and diverse sector, the industry has been working closely with government to implement the *Maritime Growth Study* report and sees the industrial strategy,

and an ambitious maritime sector deal, which we are working on, as powerful tools to increase the pace of this work. The aim is to ensure that the UK maritime sector which includes our vital ports, ship-owning, and I am pleased to report that the UK register is growing once more, resurgent shipbuilding, partly reflecting defence work, of course, and vibrant boat building, innovative marine engineering and world-leading professional services, universities and training establishments is best-placed to serve the rest of the economy, and enhance its role as a competitive, innovative and dynamic world-leading sector.

I do not propose to list all the initiatives under way that can, I hope, result in sector status for maritime. Many of the world's leading maritime industry research and training institutions, manufacturers and service providers are located in the UK. The sector features globally recognised and industry-leading brands that drive forward key developments in equipment, product design and technical innovation. Research and development in the maritime sector is extensive, supported by the world-class capabilities of UK universities and research institutes. The UK's maritime research landscape is further enriched as a result of the large number of small and medium-sized enterprises at the forefront of R&D innovation.

The UK has the potential to be a leading player in maritime autonomy and therefore the emphasis the Government's strategy places on robotics and artificial intelligence is most welcome. Indeed, maritime autonomy is an area where we are considering a sector deal bid. Skills implications will be a key part of this discussion, and, on skills, I particularly commend the industry's request for additional funding for the SMaRT Plus officer training scheme.

Industry and academia have developed proposals for the creation of maritime research and innovation UK, to bring together the UK's excellent academic and research institutions with industry to address the demands for applied R&D. In recognition of the existence of a number of highly valued bodies around the country, the centre should be based on a hub and spoke model, similar to that of the High Value Manufacturing Catapult or the composites catapult in Bristol, fully to utilise the substantial infrastructure which currently exists in the UK, and there will be more.

Our ports remain a global success and a local necessity. It is vital that when looking at the infrastructure investment under the strategy, the connectivity of our ports is improved. Recent research confirmed that coastal towns are among the most deprived, so ports such as Felixstowe, Grimsby, Dover, Glasgow and elsewhere provide employment for local people who often do not have an array of other opportunities. Greater support for the UK's maritime sector—for example, by developing the skills base—would, therefore, represent an investment in the prosperity of some of its most challenged regions.

In conclusion, while I strongly commend the Government's efforts to produce a framework for a much-needed modern industrial strategy, I urge the Minister to consider the benefits of widening the scope of this plan. The importance of sectors such as

[LORD MOUNTEVANS]

financial and professional services and maritime—both great bastions of British industry—cannot be underestimated if we are serious about, “building a Britain fit for the future”.

Therefore, I take my hat off to the Government for their work so far, but invite them to extend the breadth and range of the sectors that might be included.

7.52 pm

The Earl of Lindsay (Con): My Lords, I welcome the publication of the White Paper and the Government’s commitment to boosting productivity and earning power across the UK.

As many noble Lords have mentioned, there are a number of positives, such as the strategy’s recognition of the importance of collaboration and partnerships and the Government’s increased commitment to R&D and innovative technologies.

Proposals to upgrade the United Kingdom’s infrastructure are another positive. I noted that my noble friend said in introducing the debate that high-quality infrastructure is vital, referring to digital and physical infrastructure. However, there is an important omission in the White Paper’s references to infrastructure. In drawing attention to this omission, I should declare an interest as chairman of the UK Accreditation Service and president of the Chartered Quality Institute.

One of the essential factors underpinning productivity, earning power, innovation and competitiveness is a framework of quality standards, accreditation, measurement and regulations which ensures that when businesses and consumers buy or receive something they get exactly what they expect. For standards, accreditation, measurement and regulations to be fully effective, they must be designed and implemented rigorously and consistently to give a high level of confidence in the outcome. The importance of achieving this consistent quality and rigour has led to the concept of a national quality infrastructure in the United Kingdom and, indeed, in a number of other leading economies.

A national quality infrastructure has four core components: standardisation, which creates the national and international standards that specify good practice in how products are made or services are provided; conformity assessment, which involves testing and certification to ensure that the quality, performance, reliability or safety of products and services meet the required specifications and standards; accreditation, which ensures that those who carry out conformity assessments such as testing, certification and inspection do so in a way that is competent, consistent and impartial; and finally and importantly, measurement, which ensures accuracy, validity and consistency.

A national quality infrastructure that commands confidence is vital to earning power, productivity, research, development and new technologies. Indeed a national quality infrastructure is vital for any industry and any modern economy. Furthermore, and of especial relevance as we prepare to leave the EU, a recognised national quality infrastructure also supports international trade and is an essential component of any free trade agreement; hence the use of national quality

infrastructures to underpin WTO rules on eliminating technical barriers to trade through the acceptance of international standards and the mutual recognition of accredited conformity assessment results and regulatory equivalence.

The UK’s national quality infrastructure is largely delivered by four long-established and internationally respected institutions: the British Standards Institution, or BSI, which is the UK’s national standards body responsible for producing national and international standards; the National Physical Laboratory, or NPL, which is the UK’s national measurement institute; Regulatory Delivery, or RD, which is the part of the Department for Business, Energy and Industrial Strategy that provides the regulatory and market surveillance infrastructure that enables businesses to export goods globally; and the United Kingdom Accreditation Service, which is the UK’s national accreditation body. As the UK’s national quality infrastructure, their combined contribution to productivity, earning power, industry and the economy should not be underestimated.

Independent research on the economic contribution of standards to the UK economy found that around 37% of UK productivity growth and 28% of annual UK GDP growth can be attributed to standards, the latter figure being equivalent to £8.2 billion per annum, and that standards also account for £6.1 billion of additional UK exports per annum. The benefits of accreditation to the UK economy are worth over £600 million in terms of those commercial benefits that can be measured against financial indicators, but this figure is probably closer to £1 billion per annum once unquantified trade and productivity benefits are taken into account.

In short, the wider benefits to the UK of our widely trusted and internationally respected national quality infrastructure include: improved business productivity and performance; increased domestic commercial activity; more innovation and faster commercialisation of innovation, creating new markets at home and abroad for UK businesses; better, safer, more sustainable and more tradeable products; increased competitiveness in international markets; reduced costs of international trade, and increased confidence on the part of non-UK investors in the United Kingdom market.

I therefore believe that the White Paper should have explicitly recognised the role of the United Kingdom’s quality infrastructure, and that my noble friend should have referred to not just a digital and physical infrastructure but to a digital, physical and quality infrastructure. Quality underpins confidence, confidence underpins investment and investment underpins productivity, growth, jobs, new technologies, exports and a lot more besides. A culture, commitment and reputation for quality, manifested through a robust national quality infrastructure, are essential to a successful industrial strategy and a successful economy. With this in mind, I urge the Government to ensure that the new independent industrial strategy council, which I welcome, includes among its membership an understanding of the vital role performed by the United Kingdom’s national quality infrastructure and the valuable contribution it can make in the future.

8 pm

Lord Stunell (LD): My Lords, it is a pleasure to take part in this debate. I also welcome the production of the industrial strategy. I am pleased to follow the noble Earl, Lord Lindsay, with his strong emphasis on the need for quality infrastructure—a point to which I shall return in just a moment or two. I shall also draw in from one of the other threads of the debate what my noble friend Lady Randerson said, when she identified the 4 million shortfall in skilled workers that the UK economy faces in the near future. I also pick up what the noble Lord, Lord Maude, said, when he said to remember to talk to the small companies. I shall just weave in that social enterprises will not, I hope, be left out of that consideration as well.

Some of the strands of this debate have looked at whether the strategy is just repackaging or whether it is chasing the moon—but I shall take it at its face value as being a new and very important contribution to setting the UK economy in the right direction. The foundations set out are broad but sensible ideas, with much more to come on research, innovation and people, to develop a world-class skills training to match higher education. That is a very big objective to achieve, as many speakers have pointed out. There is to be an enhanced business environment so that companies can start, grow and prosper, as well as investment in infrastructure, particularly in transport, housing and the digital environment—and, in places, levelling up growth and providing job opportunities in every part of the kingdom. Those are very big and broad objectives.

The report talks of the grand challenges of artificial intelligence and big data, green growth and mobility, and of an ageing society. I suggest to your Lordships that as well as those four big challenges there is one missing challenge necessary to be met before the five foundations can be delivered, the challenge of a shrinking labour force and a reducing capacity to deliver in the one industry that is central to the delivery of all of that—the construction industry. That is not just a nice-to-have industry, but a vital one. If you want the ideas foundation, you will need laboratories and workshops, and they will need to be built. If you want world-class skills training to match higher education you will need buildings to conduct it in, and you will need laboratories, workshops and, possibly, a revamping of many of our colleges of further education. If you want a business environment where companies can readily start, grow and prosper, you will need the construction industry to deliver.

I could go on—but let us just take housing. If you are going to double housing production, in very broad terms you need to double the construction force building those homes. I am sure that the Minister will talk about modern methods of construction, but not I think a 50% improvement in productivity in the next two years. If you want to level up growth across the country, whether it is with the northern powerhouse or any other of the regional development strategies, that also requires the construction industry. I labour that point because I welcome the planned construction sector deal as far as it goes, but I put to the Minister that it lacks urgency and a means of delivery, and it underestimates the size of the task.

Page 24 of the strategy states:

“There will, inevitably, be uncertainty while we determine the precise nature of our future trading arrangement with the EU. To minimise this, we are seeking to agree an implementation period, of around two years, to allow business time to adapt to the new arrangements”.

The bit of that that I take issue with is the suggestion that there is any uncertainty. Actually, there is a considerable degree of certainty about what will happen in relation to the construction industry. We know, for instance, that 8% of its workforce is currently from the EU 27 and, in London, 50% of the workforce in construction is from the EU 27. The ICE, supported by KPMG, produced a report submitted to the Exiting the European Union Committee in the Commons, which showed that, if the kind of infrastructure investment which I have just outlined and which is outlined in the Government’s strategy is going to be delivered, the construction industry needs an increase in capacity of 35%, whereas, if Brexit goes ahead and the Government are successful in reducing inward migration, as they clearly intend they should be, the capacity of the industry may shrink by 8% and by much more in London.

It is instructive to read the Government’s own impact assessment, so-called. Obviously, I cannot reveal in this place what I read when I went there; I am sure that the Minister will have read it and will be familiar with it. It is a very good primer on what the construction industry does, how it is organised and how the legislative framework runs round it. That is section 1—section 2 outlines the sector’s fears over what will happen with Brexit, and what will happen with labour. Then section 3, where the analysis, proposals and alternatives come, is absolutely and completely blank. I apologise for revealing that to the House when I swore that I would not do so. But I make it clear that the Government’s own assessment of the industry makes it clear that these are real problems. In case that is not sufficient, there is the construction industry’s own Brexit manifestos and the Construction Industry Training Board White Paper—and, of course, just before Christmas, the Home Builders Federation produced a report along the same lines.

I think that the Minister will say, “Yes, we’ve listened to all that, and we’re working with the Construction Leadership Council to make construction one of the first sector deals of this industrial strategy”. That is okay, as far as it goes, but the industry is now, this year—or last year, anyway—losing 70,000 people from its labour force by retirements, and is recruiting from UK residents fewer than 40,000 people per year. It is topping that up by inward migration, predominantly, at 90%, from the EU 27. People might think, as a caricature, that it is bricklayers and plumbers—but the RIBA says that 25% of the registered architects practising in London are from the EU 27 countries. So this is a problem that will affect the construction industry and the Government’s capacity to deliver their whole industrial strategy from top to bottom.

The Government have a problem, because they want to do two things. They want to stop inward migration. Perhaps the Minister does not want to—and there may be some caveats about that—but it is a fundamental driver to reduce inward migration. At the same time, the strategy will increase the need for

[LORD STUNELL]

the construction industry to deliver by 35%. Slowing down the flow in and expanding the delivery, all in time for the next general election, sounds like a pretty tall order to me. The measures here, and the construction deal in its embryonic form, are no match for the task of supporting an expanded and strengthened construction industry that could deliver on the industrial strategy's five foundations or meet the four grand challenges.

What is needed first is world-class skills training. Let us suppose that this can be begun in September this year. It surely cannot start earlier than the new autumn term. That means that the first apprentice from this will be available on site and in the design offices in June 2022. The first engineers and architects will be available in June 2023 and 2024. Assuming that everything goes to plan and people can be recruited, people with the high level of skills needed will not be available until 2022, 2023 and 2024. This means that the absolute priority for the construction industry has got to be retaining the existing EU 27 workers who are currently in the workforce and making sure that there is a long-term, simple and cheap transition period for the industry to fill the gap in the meantime. The possibilities of expanding the workforce both by volume and by period of time are vital issues to be addressed.

Having, I hope, convinced the Minister of the need for that long transition deal and easy access to EU 27 labour, the second need is for a strong and stable pipeline of public investment. Picking up on what the noble Lord, Lord Maude, said, 90,000 small companies are delivering almost half the output of the construction industry. Some 86% of those are very small companies with fewer than two employees. They have low incentives to engage in training. They have an unworkable apprenticeship levy to handle. If you are a bigger company, there is no incentive to spend on research, innovation or modern methods of construction or to build productivity unless there is a long-term commitment of public investment in the construction industry.

Thirdly, we clearly have to double skills training. That means retaining trainees in the existing training programmes. Eight out of 10 building trade apprenticeships which start do not result in people going into the construction industry; only two out of 10 of them do. This is, of course, because other offers come along and the construction industry is not seen as very high status. We have to appeal to the whole workforce, only 9% of whom are women. As my noble friend Lord Addington very ably demonstrated, a significant slice of people are excluded from ready entry to such apprenticeships because they do not have the statements to which he referred or the capacity to participate in the standard tests which apply at the moment. Interestingly, one of the largest building contractors that I have been speaking to said that his recruits last year were gamers. They are now looking for people who understand three dimensions and artificial environments when they are designing.

Finally, it is good that the Government have got an industrial strategy and that construction features in it. However, the Minister needs to recognise that construction cannot deliver what the strategy sets out without a huge step change. It cannot deliver 1 million homes and the infrastructure for that export-led boom will

remain unbuilt unless the Government pick up the challenges to the construction industry which should have been in this report.

8.14 pm

Lord Mair (CB): My Lords, I give a warm welcome to the *Industrial Strategy* White Paper. I will focus my remarks on its infrastructure aspects and the construction sector deal. I fully support the concerns expressed by the noble Lord, Lord Stunell, on the shortage of skills in the construction industry and the implications for it of Brexit.

I declare my interests as head of the Centre for Smart Infrastructure and Construction at Cambridge University, president of the Institution of Civil Engineers, and chairman of the Department for Transport's Science Advisory Council.

The White Paper has much in it to be applauded and many important aspects. It is—like the Green Paper—a much needed document, and gives strong emphasis to collaboration between government, business, science and technology. The test is whether it has the capacity to make a powerful difference. I recently chaired an event at the Institution of Civil Engineers, soon after the White Paper was published, at which three new infrastructure reports were launched. The Treasury's Infrastructure and Projects Authority and the Department for Transport joined together to launch these reports to form the Government's future agenda for infrastructure delivery. These were: *Transforming Infrastructure Performance*; *Transport Infrastructure Efficiency Strategy*; and an update to the *National Infrastructure and Construction Pipeline*. Put together with the White Paper, we now have four substantive documents from three government departments. All of these recognise the urgent need to improve the performance of our infrastructure to help boost the productivity of the industry and deliver better outcomes for society.

The White Paper also considers the broader societal outcomes from infrastructure investment, and their influence on decision making. This will go some way to address the more chronic problems of regional imbalances, low wage growth and weakness in skills. The confirmed increase in size of the National Productivity Investment Fund—the NPIF—will help to address these problems, but this must be done in a transparent and considered way to maximise the benefits from the investment. Infrastructure covers eight government departments and 26 Ministers. It is a sector that for every £1 billion spent increases overall economic activity by around £2.8 billion. It is therefore of the utmost importance for the Government to work across all their departments and the industry to ensure that the NPIF is spent on projects that will maximise this return.

I praise the Construction Leadership Council's efforts to ensure that the construction sector deal was in the first round of such deals to be announced in the White Paper. It has real potential to make a powerful difference not only to the infrastructure sector but to the UK's economy and productivity. Underpinning the sector deal will be three key strategic themes that will potentially transform the construction industry. The first is digital: delivering better, more certain outcomes using digital

technologies, particularly building information modelling. We are in the midst of a digital revolution that must be fully exploited, including artificial intelligence and machine learning.

The second strategic theme is manufacturing: improving productivity, quality and safety by increasing the use of off-site manufacturing. This also has the potential to rebalance jobs more equitably throughout the country, improve value for money from public investment and minimise disruption to local communities during the construction process. An excellent illustration of this is a comparison of two stations being built for Crossrail. At Tottenham Court Road, the platforms were built using conventional in-situ concrete technology—casting concrete on site—whereas at Liverpool Street station the platforms were built using off-site manufacture, the key concrete components being cast in a factory in the Midlands, brought to London and assembled on site. This off-site manufacture resulted in hugely increased productivity. The Government have made off-site manufacture for construction an immediate priority as the delivery mechanism of choice for five government departments. This is to be welcomed.

The third strategic theme of the construction-sector deal is whole-life performance: getting more out of both new and existing infrastructure through the use of smart technologies, especially sensors and data analytics. This “smart infrastructure” will certainly lead to improved and more economic designs. It will also revolutionise asset management: data generated by sensors will enable continuous monitoring of an infrastructure asset throughout its life, providing information for more rational maintenance and repair strategies. We will be able to understand exactly how a building, tunnel, bridge or railway line is performing during construction and throughout its lifetime. This will substantially reduce infrastructure operating costs. Importantly, it will also enable much more rational prioritisation of the nation’s infrastructure requirements.

Close to £500 million will support the construction sector deal. Part of this investment will support the new Centre for Digital Built Britain, based at Cambridge University. This will develop and commercialise the digital technologies behind the smart systems at the heart of tomorrow’s homes, as well as new and innovative construction techniques. This should mean housing, schools and hospitals that are not only quicker and cheaper to build but cost less to run and are more energy efficient.

Finally, it is important that we do not look at the *Industrial Strategy* White Paper as one stand-alone document from one stand-alone government department. As emphasised by the noble Lords, Lord Mandelson and Lord Heseltine, it should be a working document that does not stand still in time. It should catalyse continuous collaboration between all relevant government departments, industry and trade bodies. This includes working with the National Infrastructure Commission to ensure that its national infrastructure assessment is incorporated in the future development of the White Paper, together with the Institution of Civil Engineers’ *National Needs Assessment*.

In his introduction to this debate, the Minister rightly emphasised that if we want to be a world-class economy, we need world-class infrastructure. To achieve

this we need drive, vision and expertise, as envisaged in the construction sector deal. The timing of an industrial strategy that transforms our infrastructure could not be more appropriate—2018 is the Year of Engineering, as has already been pointed out by my fellow engineer, the noble Lord, Lord Bhattacharyya. It is also the 200th anniversary of the founding of the Institution of Civil Engineers, the oldest professional engineering body in the world. The engineers of the past knew how to build and operate effective infrastructure for society. We must exploit innovative, modern technology and continue this great tradition.

8.23 pm

Lord Horam (Con): My Lords, my first experience of a debate on industrial strategy was rather dramatic. In the early 1960s, I was a young reporter with the *Financial Times*, and in that capacity I was sent up to Scarborough for the Labour Party conference. Jim Callaghan was Chancellor of the Exchequer and made his big Chancellor’s speech. Half way through, Hugh Scanlon—a name to conjure with then but perhaps forgotten now; he and Jack Jones were the two great trade union leaders—got up and said, “But Jim, where’s the plan?”. Jim Callaghan looked a bit nonplussed for a second or two, but sitting next to him on the platform was George Brown, Secretary of State for Economic Affairs at the time, with the economic document that his department had produced. Jim grabbed it, held it up to Hugh and said, “Hughie, there’s the plan—that’s what we’ll do”. It was a great rhetorical moment and it brought the house down with cheers. I still do not know whether it was planned between Hugh Scanlon and Jim Callaghan or whether it was indeed an entirely spontaneous reaction to Hugh Scanlon’s impromptu remark, and I will not find out now. None the less, it was an example of that period of economic planning, of which the noble Lord, Lord Hennessy, will be well aware.

We come back to this again and again. As my noble friend Lord Heseltine made the point in his own document *Industrial Strategy*, this is the 10th time since the war that we have come back to an industrial strategy of some kind. There is a good reason for this. The fact is that government inevitably has a huge effect on industry and the economy generally through procurement, financing research and development, education and training, the defence department, technology and all such things. Therefore it makes total sense, even in a de minimis way, to get it all together in a mature and sensible way and to give it sensible leadership so that it can support the market economy in a sensible, professional and valuable way. That is why we have to do it. In addition, as was pointed out by my noble friends Lord Prior and Lord Heseltine, other countries are doing it ruthlessly—for example, China, which has a huge economy, and a tiny economy such as Singapore, which now has a higher standard of living per head of population than we do, because it has done that in spades. Even Saudi Arabia, for heaven’s sake, is now getting its act together with the rather more forceful leader it now has, and, as my noble friend Lord Prior points out, even the USA also does it—rather less obviously than the other countries, but it does it. The fact is that we need a properly thought-through industrial strategy if we are to survive

[LORD HORAM]

and prosper in the world. Therefore, it is simply a question of whether we have the right priorities and whether we are going about it in the right way.

Surely a central priority that has come out again and again in this debate is investment in infrastructure, as the noble Lord, Lord Mair, has just pointed out, and in skills—a point made very clearly by the noble Lord, Lord Stunell. On page 172 of the document there is a shocking table showing fixed capital investment as a percentage of GDP. For every year from 2005 to 2017, the UK is consistently at the bottom—not just bottom in one year but in all the years mentioned. Even Italy is ahead of us. Germany is at 20%, we are at 15% to 18%, France is at 23% and so on.

Along with the huge problem of low infrastructure spending, we have problems with the digital economy, as pointed out by the noble Lord, Lord Mair. On page 152 of the document, there is another appalling table showing broadband speeds among the G7. For once, we are not at the bottom, but we are very low down and far from the top. This problem lies with BT. What is BT doing? It is depriving us of the facility to watch Champions League football and the Ashes test matches, although at the moment that is not a bad thing, given our performance. None the less, it is depriving us of the chance to watch these things for free, while it is not doing its job of getting speedy broadband distributed to rural areas throughout the country. Indeed, some urban areas do not have satisfactory broadband.

I am pleased that the Government will shortly put into law the right of every consumer to have high-speed broadband by 2020. They were right to face down the industry, which wanted a voluntary arrangement, and to go for a legal requirement by that year, but to liven up BT in this area they need to back that up with further recognition that more competition is needed. Plenty of people are willing to provide the competition and there is plenty of investment that recognises that this is a good area into which to put cash.

Another important area is skills. Technical education has been a Cinderella subject throughout my lifetime. The noble Lord, Lord Hennessy, made the point that people were talking about this 150 years ago, but the fact is that we are still failing in this area. In 2016, only 1,800 18 year-old school leavers in the entire country started higher apprenticeships. That is an astonishing and appalling figure. The latest statistics on apprenticeships show a 60% drop in the take-up of apprenticeships. Clearly something is going wrong here. The fact is that the bureaucracy is not delivering on a very aspirational and sensible policy. Therefore, I hope that whoever is the new Secretary of State—I have not heard the news today on whether the Secretary of State is to carry on or whether there will be a new one—

A noble Lord: She is carrying on.

Lord Horam: Splendid. I hope the Education Secretary makes technical education a top priority. For far too long we have given priority to academic education; we now need to help the non-academic children in our society.

Finally, as a Cambridge economist, I agree with the point made by the noble Lord, Lord Eatwell, about the trade gap. The fact is that this has been bad, it is

bad and it is getting worse. We pay for the trade gap only by borrowing or selling off assets. At the moment, exports account for only 25% of our GDP. In Germany, the figure is 45%. Even France and Italy are ahead of us in exports as a percentage of GDP. Only 10% of all the companies in this country are in the export field. Admittedly, most companies are small and therefore do not export. The figure is higher among medium-sized companies and 40% of large companies export, but the figure is still not that high.

If I may boast for a moment, I started an economic consultancy after leaving Cambridge and shortly after leaving the *Financial Times*. It is a medium-sized company, with 250 employees, and we export 92% of all our product. I have never seen a trade agreement—I do not know what they are. If you have a good product and a good marketing system, you can export; there is no problem with doing that. Therefore, this is clearly something to which we have to pay attention.

Finally, we should also be careful about selling off too many of our national assets. Alex Brummer's book, *Britain for Sale*, points to the dangers of that. Foreign ownership often brings in efficiency and competence, which we need, but all too often national interests are not really followed by the new owners of these organisations. Therefore, I think we need a national interest test as well as the security and consumer tests that we have in relation to foreign takeovers.

I am sure that in these tumultuous and uncertain times we need an industrial strategy. This time, I hope that the one we have started will be sustained.

8.32 pm

Viscount Chandos (Lab): My Lords, at this late stage in the evening, I will try to speak briefly, with other noble Lords having already made many interesting contributions in response to the “compendium”, as the noble Lord, Lord Maude, has called the White Paper. I start by drawing the attention of the House to my entry in the register of interests.

“Every government has an industrial strategy however it is articulated”,

wrote Anna Valero and Richard Davies of the LSE in a recent paper. On that basis, perhaps even the nine different strategies that my noble friend Lady Young has counted are an underestimate. But the articulation of a strategy is important and, as the noble Lord, Lord Wrigglesworth, said, over the years—from Sajid Javid back to Nicholas Ridley, who in the Thatcher Government saw his role as Secretary of State to abolish the Department of Trade and Industry—there have been periods of industrial policy minimalism. So we should perhaps welcome the recognition by the current Prime Minister of an articulated industrial strategy. However, to adapt Dr Johnson, I feel churlishly that a Conservative industrial strategy is like the dog walking on its hind legs: it is not done well but you are surprised to find it done at all.

As the co-founder 30 years ago this year of the Social Market Foundation, I was heartened by the advocacy of the social market by the noble Lord, Lord Howell. Indeed, the noble Lord, Lord Wrigglesworth, invoked the Social Democratic Party, for which the social market economy was a central policy. It seems

that the noble Lord, the Secretary of State, the noble Lord, Lord Horam, and I have all drunk together from that cup. In a social market, the Government's duty is to intervene when there is market failure—but only then, whether that failure is on the one hand the abuse of oligopolistic power, or on the other hand underinvestment.

On the terms of the White Paper, I would like to talk principally about ideas and the business environment, and in particular the importance of venture capital. Last week, the Secretary of State for Transport talked about his confidence that the UK could be a world leader in autonomous vehicles, based on technological excellence and regulatory liberalism, if not laxness. If Mr Grayling is still Secretary of State, he seems to have been a victim earlier today of some faulty autonomous tweeting. I draw his attention to the advice of the noble Lord, Lord Heseltine, not to confuse healthy ambition with unrealistic assumptions. The network effect is likely to give a huge advantage to companies with scale, such as Waymo and Baidu. I hope and believe that the UK can contribute significantly to autonomous driving and other emerging technologies, but I am not sure it is helpful to couch it in terms of market leadership.

Autonomous driving will rely heavily on artificial intelligence and deep learning, another area of innovation highlighted in the White Paper. It may be worth bearing in mind in this context that 43% of all academic papers ever written on AI have had at least one author who is Chinese. As the noble Lord, Lord Heseltine, said, we face formidable competition. I hope the argument that students should not be included in the main migration figures, which the Prime Minister has so far ignored, even from within her own Cabinet, might yet succeed.

Another way of illustrating the scale of the challenge that the UK faces is to consider the availability of venture capital investment to support early-stage high-technology companies. I think it was Professor Ronald Gilson of Stanford and Columbia Universities who wrote that:

“Venture capital ... is widely recognized as a powerful engine that can drive a nation's innovation, job creation, knowledge economy, and macroeconomic growth”.

In 2015, \$36 billion of venture capital funds were raised in the US and \$30 billion in China, where the figure is up six times in 10 years. In Europe as a whole, only around \$6 billion equivalent was raised. The British Venture Capital Association records only the funds raised by its members, so underestimates to some degree the size of the total UK market. Its figure for 2015 was only \$700 million equivalent.

The White Paper and the November Budget drew on the patient capital review, commissioned in 2016. One of the recommendations from the industry panel was for a patient capital investment vehicle capable of co-investing £1 billion per annum in knowledge economy companies. In the event, the Government have announced a £2.5 billion fund over 10 years, to be run by the British Business Bank. That is around one-quarter of the amount recommended and it is to be floated or sold as soon as is possible—and this at a time when UK venture capital funds will be losing, in

all likelihood, up to £400 million per annum of investment from the European Investment Fund, the SME arm of the EIB.

Why has the UK, with its powerful position in financial services, been so weak in the development of a venture capital industry in keeping with its academic, technological and entrepreneurial strengths? There is a clue perhaps in an article from *Forbes* magazine in April 2016. *Forbes* is not a magazine for bleeding-heart liberals, nor, I suspect, is it even the second-favourite reading of my right honourable friend the shadow Chancellor, but the headline of the article read: “How the UK's Growth Businesses Became Addicted to Tax Relief”. The article was reporting on research commissioned by Her Majesty's Treasury from Ipsos MORI that found that 40% of all investment under tax-advantaged EIS and VCT schemes would, in the view of the investors and the investee company, still have happened without any tax relief. Seventy-nine per cent of investors said that the principal reason for investing was to gain the tax relief. In 2012-13, £2 billion of EIS and VCT investments were made, implying the loss or deferral of tax revenues of between £600 million and £1 billion. The Government have in the November budget proposed some tightening of the rules for EIS and VCT eligibility to prevent, they hope, low-risk investments benefiting from tax relief as they have done in recent years.

However, this is a never-ending treadmill, remembering similar initiatives as far back as the 1980s and 1990s. Up-front tax breaks will invariably attract risk-averse investors and ingenious intermediaries. Even for risk investments there may be little or no additionality yet, at the same time as tightening the eligibility, the Government propose a doubling of annual limits for both investors and companies.

There are two adverse consequences of this: one is the loss of tax revenue and the other, arguably even more important, is the distortion of the market. Thirty years of tax-advantaged investing in unlisted shares—unique in major economies—has contributed significantly to the stunting of a professional institutional venture capital industry on the scale necessary to support our knowledge economy and comparable with those in our principal competing centres.

Breaking an addiction can involve cold turkey, not an appetising prospect for any of us—particularly at this time of year—so I accept that, even if this argument is regarded as valid, any further changes may have to be phased in. However, the Government have a long way to go before there is an effective venture capital industry to support the knowledge economy.

8.43 pm

Lord Willetts (Con): My Lords, I declare the interests that appear in my entry in the register of this House. I refer particularly to my role on the board of UKRI, which allocates research and innovation funding.

It has been an excellent debate on industrial strategy, opened effectively by the Minister. One reason it has been such a good debate is that the White Paper we are debating is a substantial and comprehensive document which has had, broadly, a welcome from all sides of the House. Some omissions have been identified. The noble

[LORD WILLETTS]

Baroness, Lady Coussins, made a good point about foreign languages and, more widely, education, a key British export service industry of the 21st century, is underplayed in the White Paper. Of course there are challenges to come, most notably delivering on the great ambitions in the White Paper. As we heard in several powerful interventions, that must involve genuinely cross-government working; it cannot simply be the responsibility of one department.

Perhaps I may briefly challenge some of the assumptions behind one of the most widely repeated assertions during this debate, coming from that fountainhead of constitutional knowledge, the noble Lord, Lord Hennessy, which is that we have had eight, nine or 10 industrial strategies. Behind that is a set of assumptions: we cannot do it in Britain, we are always chopping and changing, and nothing lasts. If we are to make the case for an industrial strategy, the assumption that since the war Britain has been incapable of pursuing an industrial strategy is really rather an important challenge. If eight or nine White Papers have come and gone without making any difference whatever, one is entitled to ask why it should be different this time. My view, however, is that the reference to eight, nine or 10 White Papers is not accurate. I do not know how many White Papers there have been on pensions policy or transport. Especially from the 1980s onwards, it seems pretty clear that in key industrial sectors Britain has had sustained industrial strategies that have delivered conspicuous results. I should like to give three or four examples.

The first example is that of the automotive industry. We saw the virtual collapse of the British automotive industry and, after years of trying to protect it, the disappearance of our indigenous, domestically owned automotive industry. In the early 1980s we embarked on a strategy to recreate an automotive industry in the UK. It involved a deliberate attempt to attract overseas investment, beginning with Japan and shifting to the US and then India. It involved exploiting the advantages provided by that great Thatcherite project, the single market, to promote manufacturing in the UK as part of Europe-wide supply chains. It involved the systematic use of financial incentives to attract overseas manufacturing facilities here. It also involved integrated skills training. All those assertions that we have no vocational or technical skills rest on another misunderstanding. We have a large amount of technical and vocational training, and a lot of it happens in universities. The Universities of Sunderland and Teesside are dedicated to training automotive engineers to work in the local Japanese car plants, just as not only Warwick University but also the Universities of Coventry and Hertfordshire are training automotive engineers to work in the Midlands engineering industry. As a result of that policy, sustained by successive Governments of different political persuasions, we have seen in 20 to 30 years Britain develop a very successful and large-scale automotive industry. This was the result of a sustained industrial strategy.

My second example is that of the life sciences. The UK has great strengths in the life sciences, although of course there are challenges. We have seen a combination of sustained funding from the Medical Research Council

allied with enlightened policies from the leading medical charities. We have had smart policies specifically targeting investment in medical technologies where our American competitors are at a disadvantage. Because of the power of the evangelical Christian movement in the US, there are considerable constraints on public funding for research in cell therapies. Therefore we have put money particularly into cell therapies, where we have a comparative advantage as the result of a crass US regime. We were the leaders in discovering genetic sequencing technologies and we successfully ensured that the sequencing of the human genome became public property and is not something that can be commercialised exclusively by US entities. As a result we have two very large pharmaceutical companies and a dynamic life sciences sector. There certainly are problems in getting the NHS to adopt innovation and purchase from our innovative companies, but I would nevertheless regard UK medical research and life sciences as the second example of a successful industrial strategy.

My third example is mobile phones. The rise of Vodafone as Europe's leading mobile phone operator would not have been possible without a smart, carefully considered industrial strategy, notably through the EU writing regulations for mobile phone telephony that favoured the UK company Vodafone, which was not obvious in the early 1980s. It required sustained engagement in international standard-setting bodies, and then using European standards to access a global market, combined with a very enlightened regime from Ofcom. When we look at what gives us a comparative advantage in our industrial strategy today, a trusted, effective and nimble regulator is one of the best advantages we have. Moreover, the UK is fortunate in having several such regulators, which is why the ambitions in the White Paper for the UK to play a leading role in 5G and the internet of things are not absurd if Ofcom is as skilled in writing the regulations for those technologies as it was in writing the regulations for mobile phones.

Finally, the most conspicuous example, though we may all now be ambivalent about it, is the sustained support for the financial services industry—a deliberate decision that this was an area where we had a comparative advantage that we would invest in, where the regulations would favour it and the standard setting in Europe would be influenced heavily by us so as to favour it. Even the physical infrastructure—the extension of the Jubilee line to Canary Wharf—was done to favour this key sector.

So we should not go around saying that Britain cannot do industrial strategy, that we have never done industrial strategy and that it is always chopping and changing. Those are four examples of sustained, successful industrial strategy. We can do it. We have done it partly because the strategies were sustained across Governments of different persuasions. We have had powerful interventions in this House from a Labour former Secretary of State and from a Conservative former Secretary of State—two people who undoubtedly drove industrial strategy. It was a privilege for me to work alongside a Liberal Democrat Secretary of State. These policies have been sustained and delivered. We should not beat up on the British political system as being incapable of doing this. It is perfectly capable of doing it, but you have to look behind the flow of

White Papers to observe sustained, coherent understanding of what you need to promote a technology or a sector.

There are challenges for the future. Although we have this extraordinary achievement of raising the growth rate of a mature industrial economy between about 1980 and the financial crash—a 25 to 30-year project in which all three political parties played a role—we now have challenges at both the top and the bottom ends. At the top end we need to do more to extract value from our high-quality research base. Again, we have had several references to the quality of this research and the golden triangle of Oxford, Cambridge and London. The golden triangle is not some happy accident or some bit of historical chance we happen to have. We have a golden triangle that is rivalled only by the US west and east coasts because of sustained public policy: the way research assessment exercises have been conducted to drive improvements in research performance, the way our research councils allocate funding, and the planning regime. This is not an accident; this is partly the consequence of sustained policies on a cross-party basis.

However, we need to do more and better. We have too many small companies emerging from universities too soon, often either vulnerable and insufficiently funded to survive or sold far too early to the US. That is certainly a British problem. Some of it is to do with our public funding having tended to be for upstream research and there not having been sufficient funding for the application of this research in big general-purpose technologies. That is an area where the industrial strategy White Paper signals that there will be significantly more effort, but we have Innovate UK, previously the TSB—an entity created by the previous Labour Government—which has now functioned for more than a decade and is plugging that gap very successfully. Of course, in the White Paper, although I do not believe it has been much referred to, there is this extraordinary commitment to move to 2.4% of GDP going into R&D and, beyond that, 3%, which would be transformational. Very large amounts and very large increases in public funding are already being delivered.

That is the challenge of the top end. The challenge at the bottom end is the underperforming tail that several noble Lords have referred to. Too many of our businesses underperform. Again, there is increasing evidence of what the problem is: managers who are insufficiently trained and educated to run a business successfully; hereditary companies, where owner-managers from a second or third generation tend to be associated with very low levels of productivity; and a set of rules on infrastructure investment that rewards places that already have economic activity and do enormous damage to places that do not. So there is a model of cost-benefit analysis that says that if you already have it there will be high returns for more infrastructure investment. That is at last being changed with amendments to the Treasury rules, so that we can take a strategic view of places that need infrastructure investment, even if they currently have low levels of economic activity.

Of course there are challenges, which the White Paper tries to address, but it would be a mistake for us to think that these are challenges that will defeat us

because they have defeated British Governments in the past. We should take rather more pride in our historic achievements over the past 30 years than has been in evidence so far in the debate.

8.54 pm

Lord Crisp (CB): My Lords, it is a great pleasure to follow on from the noble Lord, Lord Willetts, and I shall pick up one or two of the points that he made. I shall talk mainly about biomedical and life sciences. I shall also try to be brief, partly because I am batting at No. 30 but partly because I am aware that my noble friend Lord Kakkar has already covered a great deal of this territory and I will try not to repeat what he said.

I had better declare an interest, as I am involved in various ways in the life sciences. Perhaps I should also mention that my son has recently benefited from changes, having become an innovation fellow of UK Research and Innovation at the Laboratory of Molecular Biology in Cambridge. The LMB is an extraordinary symbol of the strength of the UK's biomedical and life sciences. It is said that it has a Nobel Prize winner on every floor and it has more than one floor—I think that it has had 19 to date.

I welcome this strategy and approach. There have been some significant changes in this area already, but I want to refer to three concerns. My noble friend Lord Kakkar and I are part of the All-Party Parliamentary Group on Global Health. The APPG mapped out the UK's contribution to global health in four areas: in academia, commerce, government and the NGO sector. It demonstrated what we knew: that the UK was a global leader in these areas and that in academia, on some measures it beat the US as well as everybody else. There are some 4,800 biomedical companies, with a turnover of £55 billion. In Cambridge alone, there are 431 biomedical companies, already employing around 13,000 people. However, as we wrote the report, we came across the problem which the noble Lord, Lord Heseltine, referred to in that we began to worry that we were simply mapping out the high points, the point at which historians might say that the UK was at its best in biomedical and life sciences, so we urged urgent action.

There has been some. Developments since then include Sir John Bell's excellent report on a life sciences strategy. I know that my noble friend Lord Kakkar talked about that, so I will not. It and we argued for synergy across these sectors—between academia, commerce, government and NGOs—and asked how we could maximise that synergy.

The particular area that I will talk about, and my first concern, is the NHS. The NHS appears at the moment to be in decline, and it must be seen as part of the solution and not as a problem. There are three aspects here. First, the NHS should be a test bed for developments within the life sciences. It could accelerate adoption and be used in ways about which the noble Lord, Lord Mandelson, spoke early on in this debate. There is a second role that the NHS plays in life sciences and biomedical research, which is about training and developing the talent. The clinical researchers who go on to work elsewhere have trained in the NHS.

[LORD CRISP]

It provides massive strength as a foundation to this whole sector. The third aspect is that a healthy population is a boost to productivity. So the NHS is vital to the sector, yet it appears to be in decline. It is going the wrong way. There is a danger that the NHS will be blamed for not innovating when it is in this situation.

I was struck by what the noble Lord, Lord Heseltine, said about it not being surprising that Secretaries of State did not concentrate on industrial strategy because they were concerned with the issues of the day. That is even more the case, I suspect, for chief executives, chairmen and leading clinicians: their first problem is dealing with survival, particularly at the moment. My first concern is therefore whether the NHS is being supported enough to be able to support this industrial strategy.

My second concern links to that and to a wider point, which is the alignment of the strategy generally with the domestic policy agenda, which the British Chambers of Commerce has talked about that. That does not just mean alignment with education but includes some of the points that noble Lord, Lord Howell of Guildford, made about morale, what society is like, who benefits, wider cultural issues and social enterprise. We have to go further, I suspect, in all those areas. We cannot concentrate on industrial strategy to the exclusion of others. I was struck by the way that the noble Lord, Lord Prior, pointed out that they should be same thing and there should be real alignment between these various areas of strategy. We see successful countries doing that. I was struck on a recent visit to Singapore by how it was focusing very much on the whole range of policy as it develops its strategy for the future.

On my third concern, staffing and migration policy, I shall simply quote from Sir John Bell's report, which says that we should:

"Establish a migration system that allows us to recruit the best international talent",
which,

"allows recruitment and retention of highly skilled workers from the EU and beyond, and does not impede intra-company transfers",
when people are already in this country.

I am very positive about this strategy, and in many ways I see it as being very energising. Knowing people in the world of biomedicine and life sciences, I can see people being energised by recent developments, but I think there are three possible seeds of failures in what I have described here: in an NHS apparently in decline, in the non-alignment with all of our domestic policy and in immigration policy. I would be interested to hear the Minister address these three points.

9.01 pm

Baroness Rawlings (Con): My Lords, this has been without doubt an important and fascinating debate, demonstrated not least by so many distinguished, knowledgeable speakers. I read with great care the challenging response published last November by my noble friend Lord Heseltine. It had serious ideas, as did his speech, of course. It was inspirational and prompted me to put my name down to speak today. I welcome the White Paper, which concentrated on

five foundations and grand challenges. They were covered eloquently by noble Lords, so I will not go into details.

However, there is one challenge that has troubled me for some time. It concerns artificial intelligence and the data revolution, and how vitally these two relate to our freedom and security. The Minister mentioned the importance of the safe and ethical use of data. I have just one question for my noble friend regarding data and national security.

Many people probably had difficulty understanding the complexities of the industrial revolution in the early 19th century, but today's data revolution, progressing at lighting speed, is even harder for many to understand. For example, the noble Lord, Lord Kakkar, described clearly how vital data is today in the National Health Service and why it has to be secure. I am sure that many noble Lords know that one of the largest industries in the United States, and growing fast, is data centre storage. In 1998 our data centre storage in warehouses was British-owned and controlled. Worryingly, it seems that it is now in foreign hands. The noble Lord, Lord Mountevans, questioned wide foreign ownership in many industries, but is data storage not a risk too far?

Some people think that all data is held in the sky, in the cloud. This is not the case. These data centre warehouses are on land and store all our data, confidential or not. It is a colossal business and as such should surely be included in our industrial strategy. Nigel Evans has raised concerns on this in the other place, as did Dan Jarvis, who sits on the Joint Committee on the National Security Strategy. He said:

"We would never countenance replacing the Royal Marine Fleet Protection Group that guards our nuclear weapons with a foreign-owned security company".

However, the Government, when questioned recently on data centre storage security, answered that this was a commercial matter. Bearing in mind all the positive points made so eloquently by my noble friend Lord Willets, can the Minister reassure your Lordships that the foreign ownership of data centre storage will not have a detrimental effect on our industrial strategy? I would be more than happy with a written answer in due course.

This debate is not only about the future prosperity of our country; our future also depends on our freedom and security. As Karl Popper said in 1945, and it is as important today as it was then:

"We must plan for freedom, and not only for security, if for no other reason than that only freedom can make security secure".

That is the climate for our industrial strategy to succeed and flourish.

9.05 pm

Lord Fox (LD): My Lords, I, too, welcome this debate and the White Paper. I refer Members to my declared interests. The debate has been far-ranging, with much wisdom and experience. Your Lordships will be relieved to hear that I will not try to distil the whole debate in my speech. But I note, as others have, the commonality and the coming together of the language that noble Lords have used in describing an industrial strategy. As many have noted, from the

noble Lord, Lord Heseltine, to the noble Lord, Lord Mandelson, to the coalition, through to today's White Paper, the curriculum has begun to come together.

However, before we become too self-congratulatory about that, the White Paper is designed to, and does, paint big pictures—pictures that many noble Lords can pick up and take something from. As the noble Lord, Lord Prior, pointed out, the harder part is the next step—the implementation. That is where the nitty-gritty—the friction—will come. We heard some preludes to that from the noble Lords, Lord Heseltine, Lord Wigglesworth and Lord Stunell, who started to set out some of those challenges. For this reason, I will unapologetically focus in on some of the nitty-gritty in that implementation. I trust that if the Minister is unable to answer today, he will provide a written answer. Looking at the paper in front of him, I suspect that he has rather a lot of questions to answer already.

During the launch of the White Paper, very little was said about how the strategy would be driven, measured and assessed. As other noble Lords have pointed out, it was announced that the Cabinet committee chaired by the PM would be at the apex of the strategy. Can the Minister tell us when, if and how often this committee will meet, and who else will be involved?

Moving on, we talked about the industrial strategy council. The noble Lord, Lord Hollick, brought that into focus, saying that it has to be focused on outcomes. How will it be funded? What metrics and benchmarks will it hold the strategy to? How will it hold the Government to account? Will it be at Cabinet level or Select Committee level? Who will be on it and how will members be selected? In other words, how will it maintain an independent view? Actually, will it be able to maintain an independent view as an OBR-type organisation? Perhaps the desire of the noble Lord, Lord Heseltine, to have an organisation that can look ahead as well as back may be possible within that, but a lot depends on the questions I have just asked.

As to delivery at local level, a lot has been said by many people. The challenge of place is important, not least around the equality issue that a number of noble Lords on both sides of the House made very strong points about. The challenge of overlapping responsibility, as illustrated by the noble Lord, Lord Heseltine, is huge. For example, in terms of training and small business development, there are 133 organisations doing small business development in Cheshire alone. This level of duplication and lack of focus really will get in the way of a meaningful delivery of local industrial strategies, so how are the Government going to develop that necessary focus?

We also talked about civic leadership. Beyond the seven mayoral areas, my noble friend Lady Randerson pointed out that we need to find ways of developing that civic leadership in areas where there is no mayoral leadership.

Local enterprise partnerships have been mentioned. The paradox here is that they are generally weakest in the places where we most need what they might do. How are the Government going to address that issue if we do not have a single, unitary focus? LEPs are going to be an important part of it so where do they feature in the Government's thinking and what are they going

to do to make them work where we need them most? The noble Baroness, Lady Valentine, raised a relevant query about how local industrial strategies will be trialled and where. Again, we need more details around how that will come.

Regarding funding, on the positive side, to date the Treasury has signalled support for the research and innovation elements of the strategy. That has been extremely positive and I agree with the noble Lord, Lord Willetts, that we should all be behind that process. The industrial strategy challenge fund has been a focus, and the noble Lord, Lord Kakkar, and others have made it clear that we have to ensure that basic research also gets the necessary funds and that it is not all going through a challenge route, because that basic competence is the magnet that draws so much to the United Kingdom. Going back to the challenge fund, I think that wave 2 funding has been decided. Can the Minister explain how that decision process will be in train for further and future waves? Perhaps he can also help us with some maths and tell us, after the money which has so far been announced by the Government, how much money is now left for future challenges.

More widely, some examples within the White Paper which highlight and demonstrate the Government's commitment are actually partially, or largely, funded by the European Regional Development Fund. We have not seen guarantees of where and how all that ERDF funding is going to be replaced. We would like some indication about that because there is a danger of it leaving some very important projects in limbo. That would hardly signal the long-term approach that the White Paper promised. Perhaps the Minister will be able to address that issue.

As many noble Lords noted, including the Minister himself, a meaningful industrial strategy has to encompass and embrace industry 4.0—the automation, digital and robot revolution. I was surprised and perhaps a bit disappointed that neither the Minister nor anyone else mentioned the *Made Smarter Review*, which the Government commissioned and contains some very strong and specific recommendations. The last time that the Minister and I engaged on this subject was the day after he took over. I hope he has now had a chance to study the report and can let us know where he feels some of those important recommendations should come. Now is not the time and place to go through them all but one was about a national adoption mechanism, which starts to address the long-tail issue mentioned by a number of noble Lords. There is a very long tail of small and medium-sized businesses for which embracing industry 4.0 or the digital age is going to be difficult. Frankly, they are not going to be much driven by it. The *Made Smarter Review* put together a strategy on how the Government can start to lead that process, bringing that long tail up to speed. So far the Government have passed on opportunities to fund it, the most recent Budget being the most recent opportunity. Perhaps the Minister will say where that lies in the firmament of opportunities to invest in items.

Many words have been spoken today about training and skills. The noble Lord, Lord Bhattacharyya, highlighted what I think he called the skills mess.

[LORD FOX]

However the Government, and certainly the Minister, presented a very rose-tinted view of where we are on training and skills in the White Paper. If there is any part of the White Paper that I would urge the Government to go back into, it is that one. There are huge challenges, some of which have been outlined by noble Lords. I will pick up on a couple.

One is the terrible outflow already of EU 27 talent. We are seeing it from academia and from industry, and the Government need to find a way of staunching that now, as well as embracing some of the issues that the noble Lord, Lord Maude, brought up around free movement and ways of making sure we can remain the magnet for talent that we have become within the European Union. We have to find a way of doing that.

The second point, highlighted by the noble Lord, Lord Horam, is the apprentice system and, frankly, the disarray that we currently find it in. All of us hope that this disarray is temporary and is about the apprentice levy being worked through, but there is a suspicion that there have been quite a lot of dropped balls when it comes to the implementation of this. It has also impacted other areas, particularly vocational training and other colleges where accreditation has been interfered with by the system. I would ask the Government to redouble their efforts to clear up the mess that appears to have been created around the apprentice levy.

We have not talked a lot about teachers, but the STEM teachers of the future come from the student body we have. That is a lot of pressure on teaching. Teacher recruitment has constantly missed targets, which have generally, a bit like in the construction industry, been filled by recruits from other EU countries. Clearly, the possibility of Brexit is already creating uncertainty for those potential recruits. At the same time, the number of domestic recruits has plummeted. The Minister has some big challenges here around skills. There is a real danger that this industrial strategy could be dead in the water from the outset due to the absence of the people to actually deliver it. The Minister needs to acknowledge that and perhaps tell us how the White Paper, and certainly its implementation, can address that challenge.

We clearly have a long way to travel: as the noble Lord, Lord Prior, said, this is the *hors d'oeuvre*, and we have a great deal of hard work to get to the nuts and port. However, the fact that the Government and all those in opposition are debating this on the same terms should be taken as a positive. We are using the same language, which has a big benefit. Wise Peers have noted that we need to develop, engender and move forward that consensus in order to smooth this delivery process. I agree with that. We face an uncertain future and, as the Minister said, we are at a critical point.

9.18 pm

Lord Mendelsohn (Lab): My Lords, we have had a quite outstanding debate, with a very encouraging level of consensus. We have heard some very forthright comments, a litany of lessons learned, and some very thoughtful challenges and criticisms. Indeed, nowhere is the chequered history of how the industrial strategies have been described better known and understood

than in this place. We have had the pleasure of hearing from some of the people who have been the architects of industrial policies and of great things in our country how they did it. It has been an extraordinary debate and one I felt hugely privileged to be part of. I am also extremely pleased I am not the Minister who has to respond to it.

One thing that I felt during the course of the debate was best expressed by that character Yogi Berra—the US baseball star who played for the New York Yankees from the 1940s to the 1960s and was well-known not just for his great play but for his impromptu pithy comments, malapropisms and seemingly unintentional witticisms—when he said, “It’s déjà vu all over again”. Here we have another debate about the industrial strategy, but the times are very different and there is a very important context in which we are doing this. It is understood, here and in other parts of the world, as a reaction to the issues that have arisen as a result of the financial crisis and the problems of growth and the squeeze in wages felt across many parts of the world.

There have been many evolving views, crystallised in the lessons of past failures of the time. I recall that the noble Lord, Lord Turner, said in 2013, based on his understanding of the financial services collapse and what it meant, that there was no clear evidence that the growth in the scale and complexity of the financial system in the developed world over the previous 20 to 30 years had driven increased growth or stability. So we have come to believe that there is no surprise that a wider acceptance of the role that the state can play in stimulating private companies to create innovations can be actively and purposefully used. We have also decided to believe in some quarters that the role that the state can play in creating demand can be a good thing. There is also a role for the state in rebalancing the economy, not just in strengthening locally based manufacturing but in preparing industries for the future. This is an important context, and the challenge is still greater with the likely economic tribulations and opportunities of Brexit.

The context of the UK’s general economic position has not been particularly benign. We have had problems of imbalances, regional problems, problems of infrastructure investment and other issues that have been pointed out by many during this debate. However, we have also had failures—for example, failures to maximise our advantages when we have had great successes but have been unable to commercialise some of our great research facilities, and failures to address matters where there has been success but we have created long tails of problems, including corporate governance.

So here we are, looking at a White Paper and wondering, “Do we have the right policy approach? Can an industrial strategy be something to everyone, a framework by which everyone can get what they want put into something?”. This White Paper certainly has its merits, and it has made a successful change from Green Paper to White Paper. At its very core, the industrial strategy should always be seen as a framework rather than a collection of specific industrial policies. I agree with the noble Lord, Lord Maude, that it is a compendium. Its evolution from 10 pillars to five

foundations and four grand challenges has probably combined focus with ensuring that long-term issues can be addressed at the same time. The importance of goals or objectives—or, as they are more popularly described, “missions”—is a central shift to ensure that we have a focus in the industrial strategy. Dealing with productivity has been the greatest advance in the process from the Green Paper to the White Paper, finally focusing on a meaningful challenge. That is to be warmly welcomed. In a previous debate, the noble Lord, Lord Prior, made a point, as he did today, about the importance of productivity and the challenge that it provides over the next decade. It is utterly proper that the industrial strategy now mainly focuses on addressing that and embraces all the other opportunities that we have.

The problem is not just with inequality; it is also about the crisis of confidence that the economy will work for everyone, whether the next generation will look forward to greater prosperity, the challenge for people in gaining the employment conditions they need, and the problems of insecurity caused by some aspects of the flexible labour market at the moment. These are the types of problems regarding confidence in markets and the market system that will cause us great long-term problems if we do not address them now. They will certainly seriously undermine the values underpinning our society.

I was prepared to accept a very poor industrial strategy because I thought it more important than anything else that we had an industrial strategy at all. However, this is not a poor industrial strategy but a welcome, important and useful foundation, and the White Paper is to be congratulated on that. As I say, this paper is a significant improvement on the Green Paper. However, the White Paper is unlikely in and of itself to move the dial significantly, although it will undoubtedly do good things. There is strong agreement that this is a crucial start but what will be essential is what happens next in its delivery and development. Here there are a great series of challenges that we have to be alive to.

It is important also to agree that, as my noble friend Lord Mandelson said early in the debate, this is more than just having to tweak the policy dial. The noble Lord, Lord Griffiths, made an important point when he said that the design of this is usually 10% in government and 90% in implementation. To meet the test of not just doing business and industrial policy better but making a more profound impact to achieve meaningful growth outcomes and improve productivity, we must ensure that we have the foundations to get it absolutely right.

We must have targets. I strongly believe that you cannot manage what you cannot measure, and if you cannot measure, you cannot improve. The introduction of productivity as a main focus is important, but we need to ensure that the targets are stretching, or at least allow us to achieve our goals. The Government have made an important contribution in saying that we wish to grow research as a proportion of GDP to 2.4% by 2027, but that is still only the average today. High-performing countries are already at between 3% and 4%, but the top of our ambition is 3%.

Targets are significant. As the noble Lord, Lord Horam, said, when we established broadband targets it was important that we had a minimum statutory requirement, but when we started by requiring 10 megabytes, everyone lowered their ambitions in their business models. If we had said 30 megabytes, business models would have been different. Setting targets is extremely important, but we have to set the right targets. They should stretch, they should be aspirational, but they should be deliverable. That is crucial.

We need some sense of what it will mean when we talk about becoming the world's most innovative economy by 2030: what definitions we are using to determine whether we have achieved good jobs and greater earning power for all, and how we will finally be able to establish through the industrial policy whether the UK has become the best place to start and grow a business. We also have a great challenge to ensure that we put in the right level of resource—the funds that we commit. It is certainly to be applauded that the national productivity and investment fund has been increased, but it is still 2.9% of GDP, whereas the OECD average is 3.5%. As a businessman, if you are to invest in something, you put a dollop of money in: you put big money behind a commitment. That tells people what you are doing; it shows that you believe it will have a significant benefit. The level of resource we are putting in is a challenge the Government need to address at some stage. I am not expecting the Minister to reply to all these points; these are long-term industrial strategy challenges, not short-term considerations.

My noble friend Lord Eatwell made the point extremely well that we need to be frank and honest about our ills, because if we are not, we will be unable to solve them. We should also be clear that the challenges we will face will not be easy. How we trade with the rest of the world will not be straightforward. We will not discover something that no one else has. As the noble Lord, Lord Prior, said, most other countries are still either in the midst of significant industrial strategy policies—they have institutions or long-term policies—or are adopting them. The same is true of trade. Everyone is in the same competitive position.

There are challenges across government. We have the Cabinet committee. We have a key role for other departments that are sponsors of industry. They must be able to take on those roles properly. There is the question of how the role and function of the Treasury is balanced with that of other departments. Those are important challenges that will require evolution. We have an important challenge inside BEIS itself in the organisation and leadership office. I was concerned. I saw the job advert for head of industrial strategy and delivery—the person responsible for delivery; for implementing the White Paper commitments; for ensuring delivery and making a difference; for setting up and delivering the governance structures of the external review body; for cross-government and cross-departmental engagement; and for strategy and policy development. This is someone deep within the business and science group of the department who is meant to be managing possibly five to 10 people. If that is the person ultimately responsible, do they have the weight and heft? How does that work in the context of the department?

[LORD MENDELSON]

If this person is a senior civil servant on pay band 1, there is an imbalance. If they come from the private sector, they start on £65,000. If they are an official, they can move up to £117,000. What is the people strategy to make sure we have the right team working on this? It is a crucial challenge.

I also think we have a huge challenge with the industrial strategy board, which will require further thinking from the Government on whether the advisory council will be sufficiently independent and will have the sort of function required to make sure the industrial strategy is properly assessed. The Government might wish to reconsider: if they create a body rather more on the model of the OBR, they might have a more successful opportunity to embed the industrial strategy into the routine agendas of future Governments.

The most crucial part of this is that it is not resolved on place—on the role of regions, the role of local authorities and the role of mayors. The points made during the debate are crucial, and we can see how things have developed in local areas—the success of local government and the difference that local government can make to this. It is important to have continuity of policy, building the right plans across different political parties and adjusting policies to make sure that we have things and institutions that can endure—ones that can go beyond the occasional moments, such as those with which the noble Lord, Lord Willetts, so graphically punctuated his contribution. We also need to make sure that we build on this cross-party, political and economic consensus—indeed on things such as the productivity leadership board, mentioned by the noble Lord, Lord Flight, so that in the sectors themselves there is the creation of a national consensus and national bodies where that will work.

We also need to accept that change is not a failure but a likely outcome of getting better. As the noble Lord, Lord Prior, said, this is an *hors d'oeuvre* and the main course is still to come. If the Government were to set out a list of the next things to do, they would do well to read the speech of the noble Lord, Lord Eatwell, which contained a large measure of them. But now is not necessarily the time for that. The Government have to accept that getting it wrong will not make them weaker and will not make the case for an industrial strategy weaker; it will provide the platform to make it better.

As Yogi Berra also said, you can observe a lot by watching. Those noble Lords who have debated in this House today, who believe that we can do something together and more meaningfully for this country, will be watching this process very carefully. They will reflect the desire to do more together if the Government are more open about the opportunities ahead.

9.33 pm

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con): My Lords, it seems a long time since 3 pm, but I am pleased to say that my right honourable friend the Secretary of State for Business, Energy and Industrial Strategy is still in place, and was able to come here and be greeted by the noble Lord, Lord Bhattacharyya, some hours ago.

In saying that, I pay tribute to my right honourable friend. It was a little over a year ago that he launched his Green Paper on industrial strategy. He then listened to some 2,000 responses to it, including from my noble friend Lord Heseltine, whose response came some time in November, just after I joined the department. I make the point that it was my right honourable friend, plus my noble friend Lord Prior and others, who worked together in the department with officials and other colleagues across government in distilling that Green Paper and its responses into the White Paper that has been broadly welcomed by many on all sides of the House.

Given the coverage of this debate, it will be impossible for me to try to distil its essence, as the noble Lord, Lord Fox, put it, or even to respond to a mere tithe of the points made. However, I hope to write to all noble Lords in due course. I cannot respond to all the points made due to the sheer range of the debate and the fact that it extended way beyond the remit of the Department for Business, Energy and Industrial Strategy. I make no complaint about that as it is quite right that it should have done so. As my right honourable friend made clear in his original Statement, this is a matter for not just BEIS but the whole of government. As noble Lords will be well aware, that is why we have had to respond to issues around migration policy and regional and local government.

Regional and local government was mentioned by my noble friend Lord Cavendish, when he talked about Cumbria, and by the noble Lord, Lord Wrigglesworth, who talked about the rather more successful position in Teesside compared with the less successful transfluvial problems—if that is the right word—in Tyneside. These are matters that I think most of us would hope that some of the local authorities, particularly in Cumbria, would deal with. However, the noble Lord was right to talk about the situation in Tyneside. If the local authorities could get their act together—to use that expression—those matters might be addressed. However, I also note what my noble friend Lord Heseltine said about regional matters and the need to move on from the seven directly elected mayors and possibly see further reforms. However, as I said, it has to be for some of the local authorities to come together, think about how they could improve things and, possibly in some cases, as a result, reduce the number of councils that my noble friend talked about.

As I said, we have covered a very wide range of subjects. I think there has been broad agreement about the direction of the industrial strategy but, as I said, we moved on to talk about education and place. The noble Baroness, Lady Valentine, talked about Blackpool. I think that most of us on both sides of this House have been to Blackpool many times. We have not been for some years but perhaps the time to do so will come again. Again, it would be for Blackpool to sort these things out. There might come a time when we will go back to Blackpool again in the future.

The noble Baroness, Lady Coussins, talked about language skills, some possible omissions in the White Paper and whether more needs to be done in that area. We heard about social enterprise from the noble Lord, Lord Bird. My noble friend Lord Flight mentioned

possible miscalculations in how we estimate our levels of productivity. We heard the natural optimists speaking. I refer to my noble friend Lord Willetts and the noble Lord, Lord Bhattacharyya, who talked about what has happened in the automotive industry. I am very grateful that there have been optimists in this debate. Dare I say that in the noble Lord, Lord Eatwell, and possibly the noble Viscount, Lord Chandos, we had some more “Eeyoreish” representations? The noble Lord, Lord Eatwell, does not like that word, but I do not think that he was quite so optimistic in his evaluation of the White Paper as some other speakers.

I would like to go back to two of the earlier speakers. It is rather a terrifying position to be in, to follow both the grandfather of industrial strategies, if I can refer to my noble friend Lord Heseltine in that way, and the godfather of industrial strategies, as he was referred to, in the noble Lord, Lord Mandelson—he now gives a rather godfatherly little smile; I do not know what it means. I was very grateful to both of them for their broad welcome. I want to pick up some of the points, and particularly what the noble Lord, Lord Mandelson, said, which was echoed by others—I am thinking particularly of my noble friend Lord Griffiths—on delivery and what happens next. I could easily repeat what I said in my opening remarks, but that was broadly about what has happened and the launch of the White Paper.

The noble Lord, Lord Mandelson, made it clear—I think that I have got him right—that he wants three things. He wants all Ministers—the whole of the Government—to take ownership of the industrial strategy. I give him an assurance that that will happen and that all Ministers have been involved in it. That is why the debate itself has gone so wide. He also made it clear that he felt that publishing it is not the job done, and that we need follow-up and continuity, a point echoed by the noble Lord, Lord Mair. Again, I give him the assurance that that will happen and that, with the creation of the industrial strategy council and with the Cabinet committee chaired by my right honourable friend the Prime Minister already in place, we hope to see the continuity and drive to continue with the White Paper. I cannot give detail about the remit of the industrial strategy council as the noble Lord, Lord Fox, would like, but in due course that will come, and I may be able to help him in writing. I hope that there will be further announcements as we move on into the spring, and so on.

My noble friend Lord Heseltine also made those three points about how we should move on. He felt that it was very important that there was a competitive unit in the Cabinet Office. However, I felt that he was rather dismissive—I hope that I have got him wrong—about what the industrial strategy council might be able to offer to that. He felt that it was merely going to react to events rather than being there to inform as well as to evaluate our industrial strategy. I hope that my noble friend will observe what happens in future and that it will bring him some satisfaction.

Again, my noble friend—and this was echoed by so many others in the course of the debate—spoke about the need for education and training, and about the long tail that exists in our schools and in all other

teaching institutions, which is not very adequate. There have been considerable improvements over the last few years, particularly in certain areas. For example, if he looked at education in London, he would find that there have been very major increases—and again this is not merely a matter of this Government or of the coalition Government; it has been happening gradually throughout all Governments. As my right honourable friend said when he originally launched the White Paper, the important thing is to remember the regional imbalances that exist in this area. Certainly, we want to look at the tail as it exists not in London but in other parts of the country. Those of us from the north-east—I am myself from the north-west—know just where those areas are, but we are talking about not only the north but other parts of the country. We want to see those changes in education there that we have seen in London. The same is true for training and in all other respects.

His third point was about overcentralisation. He praised the seven directly elected mayors and wanted to see more. I could not agree more. What I said about local government reform and what local government itself can do applies in that area. I hope that both my noble friend and the noble Lord, Lord Mandelson, will accept that we are absolutely committed to making sure that we can see progress with the White Paper, that all Ministers will play their part in driving it forward, and that, with the creation of the industrial strategy council, we will see progress in this area.

I want to cover one or two other points in the short time available, in particular some of the matters dealt with by the noble Baronesses, Lady Young and Lady Randerson, relating to inequalities in regional infrastructure and transport. We have already announced quite a lot of investment in transport. The noble Lord, Lord Fox, asked me to do some sums and say how much was left. I am afraid I cannot do that and am not sure if such a sum is available. However, there have been announcements of further funds of £840 million going to the mayoral combined authorities for transport infrastructure through the Transforming Cities Fund. We are also rebalancing the toolkit that will provide a framework for support with high-value transport investments in the less productive parts of the country.

Moving on from inequalities and the problems we have in regional infrastructure, the noble Lord, Lord Hollick, quite rightly made a point, which I fully accept, about not investing enough in digital infrastructure to meet the challenge. We are seeking action to improve connectivity, and this is very important for all businesses and consumers in the United Kingdom. We are working, as far as we can, with industry and Ofcom to ensure that connectivity is there where people live and work and—just as importantly—when they travel. We have announced additional funds for digital infrastructure and hope to make progress in that area.

That brings me on to the sector deals, which I will say a little about. They were first raised by the noble Lord, Lord Kakkar, who talked about the life sciences industry and its sector deal. He made a reference—though it was possibly the noble Lord, Lord Crisp—to the excellent report by Sir John Bell in this area, which I commend. It was almost the first thing I read when I

[LORD HENLEY]

arrived in the department, with the exception of the *Made Smarter* report referred to by the noble Lord, Lord Fox, which I have read most of, although I have to admit I have not got up to the 256th page. We very much welcome Sir John Bell's report and accept that, through the life sciences sector deal, we are boosting the pretty good position of our world-leading research base and making use of the NHS's status as the biggest single player in the healthcare system. We will also be able to make use of all that NHS data—another advantage that this country has—while making it important to respect patients' privacy.

Moving on to the construction industry sector deal, I was grateful for what the noble Lord, Lord Mair, said. Again, he took a positive approach, as he did in the example he gave us—which, again, I remember was given to me very early when I arrived in the department—of the difference between the construction of the Tottenham Court Road and Liverpool Street Crossrail stations. One was built on-site and the other off-site, and enormous productivity gains were made as a result of building the Liverpool Street station, in effect, somewhere up in Derby and then shipping it down. We also had praise for the sector deals from my noble friend Lord Griffiths. There is a good story to tell there, which marks this strategy out from previous industrial strategies.

I do not know whether at this stage I should go on much further in trying to answer questions or whether I should stick to that offer of a promise to write to all noble Lords. However, if I go back to the noble Lord, Lord Mandelson, who used the expression—if I remember it correctly—"A good White Paper; now what?". It is a significant milestone but it is not, as I said, the end point. It sets out what I hope will be a clear ambition

and a clear framework with a series of policies that support it. It is up to us in government, and in politics more generally, to work with businesses, academia and civic society to do what we can to boost productivity and earning power and to reduce those inequalities that we talk about and which we refer to in our White Paper, and to ensure that we can rapidly respond to the changes in the economy. The White Paper sets out the framework for that delivery. We are now aiming to implement the policies set out, including those four grand challenges I mentioned earlier and the local industrial strategies and sector deals. There are a whole host of ways to be involved, but the Government's programme is ambitious. It is a modern industrial strategy, however many industrial strategies we have had in the past—I leave it to the noble Lord, Lord Hennessy, to count up and decide whether he thinks there are eight, nine or even 10, or whether he accepts the more optimistic view of my noble friend Lord Willets, who talked about some of the more effective industrial strategies, such as that in the automotive industry, and the others there have been over the last 30 years.

We have a long-term plan, which is to boost productivity and the earning power of people throughout the United Kingdom. We also have significant economic strengths on which we can build—again, despite what the noble Lord, Lord Eatwell, had to say—but we also need to do more. We will boost productivity and our earning power across the country by focusing on those five foundations of productivity: ideas, people, infrastructure, business environment and places.

Motion agreed.

House adjourned at 9.53 pm.